

### Economic Prospects of 1924

*Excerpts from report from Department of Commerce.*

By HERBERT HOOVER, Secretary of Commerce.

**T**HE important thing in formulating any judgment as to the economic future is an understanding of our present position and of the forces that are in motion for and against economic progress. The following summary is based on the annual review by the department representatives throughout the world.

The economic outlook for our own country for the next year is bright. In general, the world situation is hopeful. The general spirit of prudence, the absence of speculation, complete employment, high production, and the great financial strength and stability of the important states in the Western Hemisphere, together with the promise of the early conference for systematic consideration of constructive solution of the world's greatest economic menace—Franco-German relations—all create a hopeful foundation on which the New Year may build.

•Our own country has shown more freedom from depressing European economic influences than most others. The explanation lies in the fact that although our exports are of profound importance, less than six per cent of our total productivity is exported and of this only about one-half to Europe. The proportion of different products exported to Europe of course varies and European conditions, therefore, have a fluctuating influence upon different industries. As less than one per cent of our manufactured products find their market in Europe, the direct effect upon these industries is more negligible than upon certain agricultural products which are much more dependent upon European consumption, such as wheat and pork products, and we endure both economic and political reactions at home from this latter fact.

In 1922 the United States have witnessed the highest total productivity and movement of commodities since the war, with full employment, high real wages, greatly increased savings, large additions to home building, and the largest increase in railway equipment since the war. The whole has been accompanied by a remarkable absence of speculation, consequent over-accumulation of consumable goods, or dangerous expansion of credit. As we are not in a boom we can expect freedom from a slump. Some secondary interrogations can be raised as to the effect of the expansion of installment buying of consumable goods, the acute suffering in the Northwest agricultural areas, the increase on stocks of some commodities, and decrease on some advance orders. These items are small compared to the whole industrial fabric. Taking the country as a whole, we never in history have enjoyed a higher standard of living and comfort, nor so great a degree of

commercial and industrial efficiency as today or so wide an understanding of the forces which control the ebb and flow of business. As severe as the situation is in the worst of the agricultural states, yet the disparity between agricultural prices as a whole and industrial commodities is gradually lessening and the economic balance is tending to right itself.

Price levels maintained comparative stability. Wholesale average prices of all commodities declined about three per cent for the year and stand fifty-two per cent above 1913. Average prices for ground crops increased fifteen per cent, while live stock declined about seven per cent. Retail food prices increased during the year about four per cent and the Labor Department Cost of Living Index would show an increase of about four per cent.

The national debt has been reduced about one billion dollars during the year; bank debits to individual accounts remained about the same in New York, but increased about twelve per cent in the rest of the country. The money in circulation apparently increased about six per cent. Member banks show an increase of about six per cent in loans and discounts. The reserve ratio is about the same as a year ago, that is, about seventy-six per cent. Savings increased about ten per cent and life insurance sales about twenty-two per cent. The financial items, therefore, show a general parallel with increased production without inflation.

In summary, the world situation continues under the European cloud of the reparations dispute, unbalanced budgets, unstable currencies, and the political uncertainties of armies in the old allied states greater than pre-war. Yet the realization of the necessity for constructive solution of reparations, the constructive aid to Austria and Hungary, and the projects for budget reorganization in other countries, all give hope that we have at last taken a turning.

Our own country has exhibited extraordinary strength and progress. The basis of healthy business activity lies in balanced budgets, stable currency, high production accompanied by proportionate consumption and savings, with an absence of speculation, extravagance and inflation. These things we have in the United States. We have even more in the hope of decreasing taxes. The odds are favorable to 1924.

### "Fondant in Principle and Practice"

The article on "Fondant," by George Shaley, scheduled for this issue, will appear in March issue.



# Uninsurable Losses in Raw Materials

## Part II — Drainage, Leakage and Pilferage

### V. Customs of the Raw Material Trades and Their Relation to the Candy Industry.

A Series of Articles on the Customs of the Raw Material Trades and Their Relation to the Candy Industry.

*By Albert Adams Lund*

**W**E have discussed the first three avenues of weight-depreciation (shrinkage, absorption, and soakage), on which operate "The Forty Thieves" of raw material. Equally destructive of profits, though less difficult to control, are drainage, leakage and pilferage. All through this chapter we find the dominant factor of human care, for unlike shrinkage and soakage, which may be retarded but never completely checked, drainage, leakage and pilferage suggest the means by which they can and must be prevented.

No one who has paid the price of carelessness by writing off two or three hundred dollars in a lump sum, will hold these losses to be negligible. Perhaps it is our misfortune that they are ordinarily of such a gradual character. Often, in fact, their identity and even existence is overlooked in the cost analysis, where they become merged with some purely unavoidable loss such as the natural shrinkage which takes place when a material is "pruned" or cooked. Must we be burnt to learn the lesson of the small but steadily mounting losses which pile up on us day after day, entering into our costs at every turn? One per cent here, two per cent there—how often have you heard a factory man say, "Haven't time to steam that now!" while his helper whisked away a barrel on whose sides

clung two per cent of the profits, requiring but a few minutes to recover?

#### Drainage

For the purpose of our discussion, drainage is synonymous with adhesion, sticking, or incomplete removal. Where it occurs in conjunction with soakage, it is often difficult if not impossible to tell what portion of the known loss is attributable to each factor. The tendency,

curiously enough, is for the one to increase when the other diminishes. (Thus alcohol, which is quick to drain, soaks thoroughly into the wood of the container, while invert sugar, a congealed substance, soaks in slowly but drains out of the barrel still more slowly.)

A word about the extent of the drainage loss. One of the foremost refiners of syrups and molasses submits the following estimate of the average loss through drainage where

steam is not used to recover the material left sticking to the sides when the barrel is emptied:

|                              |                  |
|------------------------------|------------------|
| Syrup (refinery grades)..... | 7 lbs. per bbl.  |
| Glucose .....                | 8 lbs. per bbl.  |
| Molasses .....               | 10 lbs. per bbl. |

The corn syrup refiners agree that these figures are not excessive; their own product, in fact, running as high as 2 per cent or 13 lbs. in cold weather.

To find a means to reduce this loss on the ma-

#### DO YOU KNOW:

—What percentage of your profits some "speed-demon" employee leaves sticking to the sides of the barrel, can or other raw material container?

—Whether the use of scrapers in the handling of dairy products is permitted by the health authorities in your district?

—That the drainage loss on syrups, glucose, molasses, etc., may run as high as 7 to 13 lbs. per barrel?

—How the size, shape and smoothness of inside surface of containers affects the drainage loss?

Read what Mr. Lund says about these subjects in his accompanying article.

terials which we handle, we must analyze its several determining factors:

- (1) The viscosity of the material,
- (2) The proportion of container exposed to contact with the material,
- (3) The care which is taken to remove the material from the container.

Let us consider them in the order mentioned.

### Viscosity

Technically speaking, viscosity is the property of liquids to resist changes in form. The first time you hit the surface of the water with your hand, it probably hurt. The water resisted. That resistance was the measure of its viscosity. In practice, the viscosity of a liquid is determined in a different fashion. The liquid is allowed to flow through a container of measured volume, having a narrow aperture at the lower end. The viscosity is judged by the length of time it takes the material to pass through.

In our industry we employ a number of slow-moving, highly viscous materials. Corn syrup, for instance. One might die of utter boredom if he had to watch the contents of a drum of glucose issue through the spigot. So your stock man puts a pail under the spigot and goes about his other duties, trusting to luck that he will remember to turn off the spigot before the syrup flows all over the floor. In addition to molasses, invert, corn and refiner's syrups, whose viscous properties we have already referred to, the following fall in this class of slow-moving materials: cream, condensed and evaporated milks, fondant creams, honey, vegetable, animal and mineral oils, essential oils, etc., while all other liquids possess the property to a greater or a less extent.

### Reducing Drainage Losses

There are several ways to reduce the high drainage losses on viscous materials. The first is by the *application of heat*, which decreases the viscosity and causes the otherwise sluggish material to flow easily. This method may take the form of storing the material in a warm room for a short period before commencing to use it, as is frequently done with heavy syrups; applying live steam to the outside of the package to "thaw out" frozen or congealed materials (similarly effective on frozen date cases, etc.); or in the case of crystallized honey, where the material comes packed in a conveniently-sized metal or glass container, resort may be had to the old-fashioned method of immersing the package in hot water.

The application of steam, either directly or through the bung (where it is desired to preserve the container intact), is too well known and widely-practiced to require extended comment. Its effectiveness is attested by the following average figures furnished by an experienced dealer in condensed milk:

### WHOLE SWEETENED CONDENSED MILK:

|   |              |
|---|--------------|
| Milk drawn slowly through bung, permitting sugar to crystallize on sides of barrel..... | 12/15 lbs.   |
| Barrel emptied continuously over short period and sides scraped.....                    | 6 lbs.       |
| Barrel steamed with average care.....   | 1½ to 2 lbs. |

It is obvious that such figures as these can only be approximate because of the many variations in individual conditions and the care with which each operation is performed. They will have served their purpose if they point out the importance of salvaging the loss with steam. With oils, however, there is often danger that direct contact with the moisture of the steam will bring about a deterioration of the quality which the heat alone might not; consequently, packing-houses invert their empty lard barrels over closed steam coils, the heat being sufficient to melt the lard and cause it to run down the sides of the barrel into the receptacle below.

The efficacy of live steam as a drainage agent is due to a combination of the liquifying properties of heat with the solvent properties of water. Where dilution of strength does not seriously affect the usability of the salvaged material, solvents may be employed with impunity. A small amount of water, for instance, may be used advantageously to dissolve the large proportion of color paste which sticks to the jar, and while the resulting solution is not to be recommended for hard candy, there are many uses in the factory to which the liquid color can be put.

The following reference to salvaging drainage losses through the use of solvents appears on the labels of a manufacturer of high-grade emulsions:

"In using this emulsion, always mix the required quantity in a graduate with a small amount of syrup. Then add to the batch, reserving another small quantity of syrup to clean out the graduate so that none of the emulsion may be wasted."

Alcohol, where it is available, is of course the ideal solvent for vanillin, essential oils, extracts, etc., and where it cannot be had, recourse must be had to steaming (in the case of vanilla extracts, etc.), or allowing the package to stand (essential oils).

Another factor which has to do with drainage is the *smoothness of the surface* with which the material comes in contact. On the principle that a smooth surface prevents sticking, glass ranks first as a drainage surface, next metal, then wood. On honey, for instance, there will be less loss on cans through incomplete drainage than there will be on barrels; the same applies to maple sugar in tins as against wood pails; essential oils in glass as against coppers (although the difference here is relatively slight); and corn syrup in steel drums as against wood barrels. The candy man puts oil on his slab to prevent the batch from sticking. The motorist waxes the body of his car to prevent foreign matter from sticking and ultimately ruining the finish; rain collects in pools on the surface and drains off quickly. Paraffin-

liners do the same thing for extract and condensed milk barrels, while in vanillin tins we find a wax paper liner performing a similar duty for a solid material.

#### When Haste Makes Waste

Time plays a large part in the reduction of our drainage losses, and it is here that we reverse the usual sense of the saying "Time is money." It is of course true that our promptness in using up unit quantities of a material is what prevents surface crystallization or case-hardening on items like syrups, fondant creams, and condensed milks. (Glucose refiners report having to re-tare their return drums because of the tendency of the syrup to form a hard, glassy scale which neither cleansing nor steaming will remove.) But of greater moment, is the loss we suffer through failure to allow sufficient time for slow-moving materials to drain out of their packages of their own accord. It is here that haste makes waste. Look at the fellow who dumps his cream or other expensive material into the batch and with an accomplished air, flips the can right side up without allowing the fraction of a second for the contents to drain—you may measure your losses by that man's "speed." If the material is milk or light cream, the loss may not exceed half a pint; but if by chance it should be heavy cream (and one must remember the greater value of this product) the amount which will eventually settle to the bottom of a forty-quart can will average from a third to a half a quart.

#### Drainage on Milk Products

Unsweetened condensed or so-called "evaporated" milks will show a loss of fully a quart per can or 2½ per cent. The drainage loss on cream can be recovered by allowing the can to stand for fifteen to twenty minutes in a warm room, but condensed is such an all around "bad actor" that at the end of half to three-quarters of an hour in a room of seventy to eighty degrees temperature, you will still find upwards of half a quart sticking to the sides of the can.

This sizable loss which is due to careless haste, is characteristic of all slow-moving materials. Even on liquids which possess a relatively low viscosity, it is worth the pains of the economically-minded. Receiving dairies employ various forms of drainage stands. As the farmer delivers his milk, the can is emptied, then inverted over a receptacle in the drainage stand which collects the drainage during the two or three minutes while the contents of the can are being accounted for to the farmer. These dairies have found that this short period enables them to recover one full can of milk for every 150 cans they take in. What is important in a large way to these people has a proportionate bearing on the consumer; consequently, it is not unusual to hear of a controversy which has arisen between some local milk distributor and a slow-pay customer because the dealer's

insistence upon taking the cans back with him does not give the buyer an opportunity to drain out what sticks to the cans! With very little trouble one may construct a similar stand or platform to provide continuous drainage over longer periods for the all-but-empty cans and barrels which keep coming back to us from our stock rooms and process floors.

#### On Essential Oils and Extracts

One of the leading essential oil houses writes with reference to the drainage loss on their products:

"It has been our custom for many years to give a slight overweight in all oils and extracts to make up for the loss by adhesion of drops to the container. This overweight is sufficient to insure no loss to the confectioner provided reasonable care is used that he get from the bottle such of the contents as will readily run out.

"He can make sure of getting practically all of the contents if he will take the trouble, after emptying the bottle, to let it lie on its side for upwards of an hour within which period all the drops will run down and collect in a pool. This small amount can then be poured out."

The practice of giving overweight, is, as the supplier himself remarks, merely a means of transferring the loss from one pocket to another. In any event the user pays for every gram that goes into the bottle; what he does not recover from it can only be loss. (Allowing for the estimated drainage is a custom quite common in the drug and chemical trades, where all forms of measured graduates, laboratory flasks, etc., are marked "graduated to deliver" the specified quantity.

The drainage loss varies in direct proportion to the amount of surface exposed to contact with the material. The smaller the container, the greater the amount of surface which comes in contact with the material. It follows, therefore, that small containers and measuring units are wasteful. (Where the containers are of wood the proportion of loss is further augmented by the increased soakage.) One must not infer that it is more economical to buy five pounds of oil in a ten pound bottle. On the other hand, where the goods are to be used quickly and not left to deteriorate in the large opened packages, it is the part of economy to buy in the largest size package consistent with the quantity of the material used.

An extract house formerly in the wine business shipped to one of its customers in the South 15 five-gallon kegs of vanilla extract. Some months later a number of the kegs were returned unopened. When they were re-gauged they were found to contain only a trifle over 3½ gallons apiece. While the loss was chiefly attributable to soakage, it brings home clearly the extreme wastefulness of this type of package, for which large barrels (if not glass demijohns or carboys) could have been substituted. Our drainage loss on these packages is in like ratio. In specifying the size or type of package desired, the buyer should bear in mind that large barrels or other containers are not sim-

ply a means of reducing cooperage costs but a real economy in materials as well.

The effect of the shape of the container on drainage losses is illustrated by the bottle with inaccessible corners or with a clumsy or ill-proportioned neck from whose curves the dregs defy our most patient efforts to dislodge.

Then there is the problem of the factory with a penchant for great numbers of scoops, measuring cans and pails. The material is transferred needlessly from one pail or container to another with the consequent diminishment of quantity which is characteristic of the material. From the standpoint of economy, the fewer the number of intermediary measures employed in your factory, the better off you will be.

#### The Human Element

We come back to the human element. *The care which is taken to remove all of the material is what determines in the last analysis, how much of this loss we shall save.* On an item like nutmeats where incomplete removal is inexcusable, we find case after case going through to the cooperer with two or three ounces of perfectly good nuts reposing in the corners. Presumably the man who emptied the case used the scoop to the last half pound and applied too literally the slogan "not touched by human hands." The other extreme is the man who wets his hands to wipe down the sides of the syrup barrels.

There is quite a heavy loss on fondant creams through the material's sticking to the sides of the barrel. On nougat cream, for instance, where the usual procedure is for the candy man to dig down in the center and leave the sides to dry, this loss will amount to upwards of two per cent. By scraping down the sides of the barrel as the material is used (a wood scraper is preferable), it is readily possible to reduce

this loss to one per cent. It need scarcely be added that care must be taken to avoid getting splinters into the product.

Regarding scrapers, it may be noted that there are certain conditions under which these may and may not be used. The instances where their use constitutes a violation of the local health standards are often not apparent to the manufacturer. It has been the custom for many years for dealers and factory people to use a long-handled scraper with a curved rubber edge to remove the condensed milk which sticks to the cans. Yet in many parts of the country the public health authorities expressly forbid the use of any kind of wood or rubber scraper (or wood measuring stick) in the handling of dairy products. It is wise to consider this phase of the matter before you decide upon the method to be employed in salvaging the drainage loss.

An interesting comparison is seen between the proportionate losses of the small confectioner who draws off his materials through the bung wherever possible and the large manufacturer who removes the head in the interest of speed and economy. To the one, the extra quarter which the cooperer may allow for the unbroken barrel looms large; to the other, there is the far more commensurate saving of otherwise wasted material.

Let buyer and superintendent pause in their accustomed duties and ask themselves how, by the application of the principles described, they may reduce this calculable loss both in the specifications of packages and in the method or care used to empty them in the factory. There is not one of us whose method of handling materials is so well devised or supervised that we cannot save with a little extra effort, hundreds of dollars a year which are now the spoils of this insidious thief of raw materials.

(To be Concluded in next issue.)

The next subject in this series: "50 Desk Tests for Raw Materials."

# The Annual Overhauling



The Twelfth Article of an Extensive Series on  
***Candy Factory Management Methods, Factory Practices  
 Material Handling, Labor Management, Etc.***

Based on personal interviews with manufacturing confectioners and a special investigation of their manufacturing problems

**by Ralph G. Wells**

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Exclusively for The Manufacturing Confectioner

**A**NYONE visiting candy plants during the month of January finds executives busy cleaning up the details of the holiday rush, putting the final touches on their plans for the coming season, and engrossed in the annual job of checking up, analyzing inventories, and overhauling the physical equipment of the plant.

By this time the majority have practically completed their plans for the year. New pieces have been decided upon, salesmen's conventions are finished, and the selling department is out after more business with its new line of samples, while the production department is busy making goods for the spring and Easter trade. Nevertheless, this is the best period of the year for the candy manufacturer to take the time to check up and overhauled various phases of his business and his management methods. This, however, should be done systematically in order to secure best results.

In some ways there is more actual time for this in May and June, but it is easier to concentrate the interest and attention of the entire organization on new plans during the first of the year than in the early summer months, when golf, vacations, and other temptations distract the executive mind. Besides, all improvements and changes must be completed and ready for use by July or early August. Time is required for this, so that many candy men spend a good part of the first three months of the year in what might well be called the "annual overhauling." In many cases only plans for improve-

ments and changes are made at this time, and the actual installations are left until the summer months.

## Steps In the Annual Overhauling

This "annual overhauling" might well be divided into the following phases:

- (a) The actual physical inventory and overhauling of the plant, of equipment and of material on hand.
- (b) The checking up of manufacturing and operating methods with a view to improving quality, reducing costs, and increasing output.
- (c) Critical inspection of past sales experience and the line manufactured for the purpose of developing a more effective sales program.
- (d) A consideration of the financial problems and practices of the company, and a search for methods of reducing expenses and increasing the margin of profit.
- (e) The surveying of business conditions and prospects as a basis for the making of the general program for the firm's activities.
- (f) A careful examination of the general business methods of the company and its management practices.
- (g) A reviewing of the personnel composing the management and supervisory organization and their accomplishments.

Of course, every executive has all of these things in mind all of the time. He is keeping them continually before his assistants and employees. Nevertheless, there is a psychological stimulus about the traditional turning over of a new leaf at the beginning of the year that puts the average mind in a more receptive mood for suggestions and self-examination. Add to this the advantage which comes from setting a definite period when every phase of the business is to be gone over critically and constructively,

saying to every person in the organization—"This is an open season for past mistakes and errors. At this time each person is expected to make a careful check of all the material and physical equipment within his control and of his own methods of doing things, and report any changes or improvements that should be made."

First on the list, for tradition's sake and because it is needed in preparing the profit and loss statement, is the annual inventory of stock and material on hand. Even though an accurate perpetual inventory is kept, it is necessary at least once a year to make an absolutely complete physical inventory of everything in the plant. This is more than a mere counting of quantities on hand. It is a survey which not only determines the quantity of material on hand, but looks over the general physical condition of the plant and its equipment. It shows exactly what is on hand and checks up the condition of the stores and the accuracy of stores records.

#### **Analyze the Inventory**

The analysis of the inventory should include also a study of the quantities of different kinds of materials used throughout the year, to determine if the tendency has been to carry on hand too little or too much material. It will demonstrate whether the established maximums and minimums are correct and enable the stores control clerk to keep the right quantities on hand. In making revisions the best practice is to scale down the maximums and minimums to as low a point as possible if sources of supply are within easy access.

It is the usual practice to clean out or dispose of all surplus stocks disclosed by the inventory unless they are needed for immediate consumption. Formerly manufacturers prided themselves on having large surplus stocks, but sentiment has changed, however. Present methods of cost keeping have shown up the loss that occurs through shrinkage and waste in the handling and storing of material, to say nothing of the danger of fluctuations in market value. This point should be considered in analyzing the inventory. An examination should also be made of the storage facilities for stock, not only with reference to their accessibility but to see whether they are arranged to give stock the protection it needs.

If the inventory shows a loss in goods that cannot be accounted for, it is sometimes an indication of dishonesty, but is due more frequently to laxity in the issuing of stock. The only reliable means of keeping an accurate check on material is to allow none to be issued except on a requisition and to allow no one but authorized persons access to stores. Inspection of the methods of receiving and check material, as well as the methods used in handling the material from receiving department to store rooms and

from stores department to the manufacturing departments will frequently show up places where stock is spilled or wasted or where it is allowed to stand in exposed places.

Many firms are now going over their purchases for the past year and comparing them with their needs for the coming season. One company has found that under normal conditions the quantities used in the past provide reliable minimum figures on which to base contracts for the ensuing year. They always use more than this minimum, unless there is a slump in business conditions.

#### **Check Up Machines and Equipment**

The inventory of machinery and plant equipment should contain some indication of their condition. This will aid in determining the amount of depreciation or whether they should be marked off entirely. In addition to this, however, some plant managers find this period gives them an excellent opportunity to make a careful survey of the actual conditions of all of their machines and the other physical equipment. While it is not always convenient to make changes until May or June, nevertheless, this is the time to find out just what equipment needs renewal and what changes are required. Plans can then be made far enough in advance so that they can be put through at a time when there will be no loss of production.

There is an old tradition in shipping circles that a ship should be hauled up on the ways every so often and given a thorough overhauling. Many candy manufacturers have found that it pays them to close down their plant for a couple of weeks immediately after Christmas and have it thoroughly renovated and overhauled from top to bottom. At the same time they study the flow of material from one point to another, make such changes and installation as will expedite this flow. Any inconvenient arrangements discovered during the busy season are corrected and hand processes are transferred to automatic machines if the volume of business warrants.

#### **Budget Renewals and Repairs**

Production men have also found that it is frequently easier to get authorization for new equipment, renewals, and repairs through immediately after the firm's profit and loss statement has been prepared than at any other period of the year. Some firms even go so far as to prepare in January a budget of all renewals and alterations, the need for which is shown up by the annual overhauling and include this as a lump sum under some such heading as reserve for renewals and repairs.

A comprehensive program of complete renovation, when based on careful studies and backed by actual figures, generally wins the support of the far-sighted directors of the company. They realize that it is cheaper to keep

things up and that deferred maintenance and repairs cost more in the long run.

#### **Examine Manufacturing Methods Critically**

This is also a period when new pieces are being brought out and new prices are being made. It calls for critical examination of the manufacturing methods to see, first, whether quality and appearance can be improved, and, second, whether cost cannot be reduced by simplifying the processes or increasing the output. At the same time the production department is faced with the problem of placing new varieties on a production basis and estimating what the actual costs may be. All of this furnishes a strong incentive for the manufacturing department to check up carefully its methods and processes and to experiment with new methods, in the hope of finding possible improvements. Better results are achieved if this is done systematically according to a well-arranged plan, which ensures that every angle of the operating methods is at least taken into consideration and examined with a view to developing better methods.

#### **Tackling Costs and Expenses**

Most manufacturing confectioners realize that saving in expense and reductions in cost come more frequently from a number of small savings rather than from any one large reduction. It is sometimes difficult to get foremen to realize that it is the saving in small items that really cuts down the total expense. As an aid in getting this point across to the foremen, one firm has worked out a tabulated check list indicating a number of causes of increased expense, many of which though small in themselves, amount to considerable in the aggregate. In analyzing the cost question this firm has reached the conclusion that the majority of causes of waste and increased expense are due either to those things which result in bad work, spoiled goods, or poor workmanship which waste both time and material or to those factors which cause a loss of time. In their opinion the greatest savings can be made in the latter class. Their list of causes of waste, and therefore of increased expense, include under material such items as giving out wrong material, stock in poor condition, improper handling of stock, delay in delivery of stock to department. The list under machines and equipment includes machine not properly adjusted, delay in making repairs, use of larger machine than needed, equipment mislaid, and idleness of machines due to poor planning. The list relating to labor includes such headings as inadequate instruction, poor supervision, work not properly laid out, poor workmanship, more help than is needed, and idleness of help, not doing work by the quickest methods, and spoiled work. The foregoing items will serve to illustrate the general tenor of the list. It is a long one and drives home the fact that there are many avoidable sources of waste and expense

which are not ordinarily considered, many of which are due to poor planning, poor supervision, and poor training.

#### **Review Past Sales**

There is a wealth of valuable information to be secured by an analytical review of the past sales experience. It is the growing practice among candy manufacturers at this time to check back over their sales records and experience for the past year, with a view to developing programs and qualities for 1924. Many of them have been at work for months laying out the strategy of their 1924 campaigns, preparing new pieces, developing advertising campaigns, and laying plans for securing new customers and increasing the volume of sales to regular dealers. The sales record of the past year serves as a basis for an estimate of the increased volume of business that can be secured and indicates where the sales department fell down and where it must put in its chief efforts to retrieve lost ground. It also indicates the trend of business and in many other ways serves as an excellent sailing chart for the navigators of the sales department.

The analysis of past sales should include an examination of each customer's account, to indicate which ones bought too liberally and were inclined to return goods without due cause, to determine what customers are so slow in paying their bills that the firm would be wise to drop them and substitute newer customers of better credit.

#### **Secure Orders Before Competitors Wake Up**

One firm has found that at this time of the year it can go to its largest and most dependable customers and by offering special terms secure blanket orders for stated quantities of staple lines to be manufactured throughout the year. This firm has sold nearly sixty per cent of its output on this basis. Consequently, it is strongly entrenched with its customers not only because it has the business in hand but because it is in a position to anticipate their requirements and meet them promptly. Furthermore, with an assured production to take care of overhead and to hold together its experienced organization, it still has forty per cent of its normal production to use for special drives and for the manufacturing of items that add greatly to its net profits.

#### **Plans for the Year**

With the completion of the sales plans comes the problem of translating this into a comprehensive production program for the year. This was discussed fully in an article on "Coordinating Sales and Production" published in the March, 1923, issue of THE MANUFACTURING CONFECTIONER. Readers who are interested in this phase of management are referred to that article. It will be sufficient to say here that one advantage of the annual overhauling is that it

provides an excellent opportunity for all departments to get together and confer regarding common problems, thus facilitating the working out of definite details of the master plan. While the heads of the various departments interested in the master plan must have made their studies and completed their programs before the first of January, nevertheless, it is during the months of January and February that the real work occurs when each department is faced with the responsibility of putting into operation its particular division of the general program.

Along with the process of translating the sales plans into a definite production program there must go hand in hand, first, the development of the necessary purchasing schedules in order that the buyers may have such information as will enable them to begin placing their contracts and taking advantage of the many special offers that are made them at this time of year. It is the growing practice of firms in all lines of business to make special concessions at the first of the year to those customers who are willing to place long-time contracts for definite quantities. Candy manufacturers find it to their advantage to have manufacturing plans so well laid out that they can take advantage promptly of any of these offers. In order to do this, however, the manufacturer must be prepared to specify definite quantities and reasonably accurate dates of delivery.

#### Financial Schedules

At the same time that sales plans and production programs are being prepared, it is essential that a financial budget, based on these, be laid out which will provide the firm with a definite plan for financing its activities during the coming year. This means, first, the laying out of a schedule indicating the exact expenditures for each department and for all of the company's activities, and bringing these together in a master budget thus computing the exact amount of money to be paid out each week and each month. Against this schedule of weekly expenditures the estimated income of the firms is set down, so that the financial department may know at what periods it will be necessary to borrow money and when this money can be paid back.

To prepare such a schedule of estimated income the probable sales must be translated into the terms of customers' accounts and reliable ratios of payment worked out which will show how long after the goods have been shipped and billed, payments can be expected. Some have found that by tightening up collections and insisting upon prompt payment of bills they have been able to reduce considerably the amount of money that was necessary to borrow. This is another reason for weeding out slow-paying customers.

It is only by such a careful analysis of the

financial operations of the company as that indicated above that the firm can forecast its financial needs accurately. While one should always have a good line of credit at the bank and use it freely if business warrants, nevertheless there is a tendency to borrow more money than is actually needed and to delay in paying it back as promptly as could be done if the firm knew exactly what its future needs were.

#### Borrow Less Than You Need

One manufacturer tells an interesting story of his experience with a banker in this respect. Although his banker was very generous in the line of credit allowed the banker always succeeded in lending him less than he intended to get originally. Furthermore, the banker generally arranged the payments of the loan so that a portion of the money was paid back sooner than the manufacturer had planned. At first the manufacturer considered the banker a little bit close or perhaps doubtful of his ability to pay. After two or three years of experience it began to dawn upon the confectioner that the banker was really teaching him the precepts of sound financing, namely, to borrow less than you need and to pay it back earlier than was expected. Today this manufacturer plans and schedules his loans with such care that the banker seldom recommends any changes in the amounts asked for.

This is a good time also in which to install a system of budgetary control as a means of curbing excess expenditures and keeping departments within necessary limits. In spite of all the criticism regarding the disadvantages of budgetary control and the arguments against it that are made by executives who want a free hand in spending money, the firms who are definitely budgeting their expenditures are growing in number so that bankers today look askance at the firm that does not use this effective method of keeping expenses within predetermined limits.

At this time of the year it is also well to study the various economic digests and forecasts of business conditions using them as a guide on which to base plans for future business. Some firms find it worth while to plot a curve of their own sales in such a manner that it could be compared with the general business curve. By comparing the curve of one's sales with the general business curve, it is frequently possible to establish somewhat of a ratio as to how closely past sales have followed the general trend of business. This ratio enables the manufacturer to interpret more accurately in terms of his own future sales the economic forecaster of future business conditions.

This problem of forecasting business conditions is one of exceeding interest. There is, of course, danger of going to extremes. Every possible source of information be used and such forecasts be based not only on general eco-

nomie conditions but upon reports regarding sales conditions brought in by the salesmen. One danger of forecasts is that of placing entirely too much dependence on them and to fail to take into consideration sudden changes that

occur from time to time in business conditions. Any forecast should be subject to immediate change. They are helpful, but cannot be used as a substitute for common sense or business acumen.

### Research and Statistics

There is a growing appreciation of the value of business statistics as basis for executive decisions. In fact, a well-organized statistical and research department is essential in any large business when the details begin to grow beyond the capacity of any one man. As an illustration of the use of statistics one executive who

has been very successful in administering the affairs of a large firm has worked out a condensed summary of figures showing the operation of his business every day. Every morning there is laid on his desk two sheets containing the following data:

#### SALES AND PRODUCTION FIGURES.

|                               | Today. | This month to date. | Year to date. |
|-------------------------------|--------|---------------------|---------------|
| Sales this year .....         |        |                     |               |
| Sales last year .....         |        |                     |               |
| Estimate this year .....      |        |                     |               |
| Shipments—                    |        |                     |               |
| Current .....                 |        |                     |               |
| Last year .....               |        |                     |               |
| Orders on hand not shipped—   |        |                     |               |
| Current .....                 |        |                     |               |
| Last year .....               |        |                     |               |
| Production in pounds—         |        |                     |               |
| Current .....                 |        |                     |               |
| Last year .....               |        |                     |               |
| Raw material used—            |        |                     |               |
| Current .....                 |        |                     |               |
| Last year .....               |        |                     |               |
| Payroll—                      |        |                     |               |
| Current .....                 |        |                     |               |
| Last year .....               |        |                     |               |
| Wastes—                       |        |                     |               |
| Material—                     |        |                     |               |
| Current .....                 |        |                     |               |
| Last year .....               |        |                     |               |
| Idle machines—                |        |                     |               |
| Current .....                 |        |                     |               |
| Last year .....               |        |                     |               |
| Idle labor—                   |        |                     |               |
| Current .....                 |        |                     |               |
| Last year .....               |        |                     |               |
| Ratio of unabsorbed overhead— |        |                     |               |
| This year .....               |        |                     |               |
| Last year .....               |        |                     |               |

With such a set of figures in front of him every business day he can tell at a glance the exact condition in each major division of his business. They show automatically before it is too late any variations that should be looked into. Detailed figures are available if he wishes to inquire further into any item. If everything is going as it should he knows it and can turn to other things with a free mind.

The first of the year seems also to be a favorite time among many candy manufacturers for checking over and revising their management practices and control methods, as well as making any changes in their management and supervisory organization.

It would be impossible to mention all of the things that are considered under this heading without reviewing a large part of this recent series of articles. The writer has found in several plants visited recently that changes were being made in cost systems, methods of planning and production control, and similar practices. While many of these will not go into

#### ASSETS AND LIABILITIES.

|                                 | Today. | This month to date. | Year to date. |
|---------------------------------|--------|---------------------|---------------|
| Stock on hand—                  |        |                     |               |
| Current .....                   |        |                     |               |
| Last year .....                 |        |                     |               |
| Finished product on hand—       |        |                     |               |
| Current .....                   |        |                     |               |
| Last year .....                 |        |                     |               |
| Customers' accounts receivable— |        |                     |               |
| Current .....                   |        |                     |               |
| Last year .....                 |        |                     |               |
| (Includes shipments to date.)   |        |                     |               |
| Cash accounts—                  |        |                     |               |
| Current .....                   |        |                     |               |
| Last year .....                 |        |                     |               |
| Bills payable—                  |        |                     |               |
| Current .....                   |        |                     |               |
| Last year .....                 |        |                     |               |
| Notes payable—                  |        |                     |               |
| Current .....                   |        |                     |               |
| Last year .....                 |        |                     |               |
| Overdue customers' accounts—    |        |                     |               |
| Current .....                   |        |                     |               |
| Last year .....                 |        |                     |               |
| Loss on bad credits—            |        |                     |               |
| Current .....                   |        |                     |               |
| Last year .....                 |        |                     |               |

effect for two or three months, it indicates that the more progressive manufacturers are constantly checking up and revising their methods.

In visiting candy plants at this time of the year it is also interesting to note the number of changes that are made in the personnel of the organization right after the close of the busy season. New faces are to be seen at many desks, showing that firms make it a practice right after the first of the year to revise their management organization and make such changes in personnel as are needed. It is really worth while examining carefully the work of each man for the past season, giving those who have measured up to requirements substantial recognition in the form of promotion and advances in pay. Others who perhaps have not been so satisfactory should be talked to quite frankly, so that they can have an opportunity to improve their work in the near future.

Thus we see that many things, some old and some new, are occupying the minds of candy men at this season of the year. Many others could be enumerated but enough have been given to show a cross-section of the average candy executive's problems as the new year begins.



Where the National Confectioners' Exposition will be held in connection with the annual convention of the National Confectioners' Association, May 19-23, 1924.

### NATIONAL CONFECTIONERS' ASSOCIATION FORTY-FIRST ANNUAL CONVENTION

The annual convention of the National Confectioners' Association will be held this year in the Hotel Drake, Chicago, on May 21st, 22d and 23d. The first Annual Exposition under the auspices of the Association will be held on the Municipal Pier during the week of the convention. The usual reduced passenger rates will be in effect. Tickets will be sold on the Identification Certificate Plan. Certificates can be secured from Secretary Walter C. Hugh, 1921 Conway Building, 111 W. Washington St., Chicago. The Hotel management has quoted the following rates: Single rooms with bath, \$5, \$6, \$7 and \$8 per day; small double rooms containing double bed and bath, \$6 and \$7 per day; large double rooms containing two single beds and bath, \$8, \$10, \$12 and \$14 per day. Requests for hotel reservations should be sent direct to Mr. John B. Drake, Assistant Manager, Hotel Drake, Chicago. Be sure to state the kind of room wanted and date of your arrival.

### Ohio Confectioners' Club

The Ohio Confectioners' Club held a very interesting meeting in Cleveland February 7th and 8th. There were addresses by Hubert Fuller of Cleveland on "Excise Tax"; John Glossinger, Sales Manager of Williamson Candy Company of Chicago, on "How to Sell More Candy"; W. C. Dickmeyer of Heit Miller Lau Company, Fort Wayne, Indiana, on "Sales, Not Alibis"; R. S. Trusdell of the P. S. Trusdell Company, Columbus, Ohio, on "Manufacturers' Problems," followed by a general discussion on "Co-operation."

### Western Confectioners' Convention

The ninth Annual convention of the Western Confectioners' Association was held in San Francisco January 29th to 31st. Eleven states were represented. The discussion of the excise tax by Henry Rhine of San Francisco was one of the important discussions, as it has been in other sectional association conventions held this month. Discussions on "Economics of the Candy Industry," were led by L. C. Blunt of Denver; "Management," by Leon Sweet, Salt Lake City; "Production," by William M. Thompson; "Distribution," by C. E. Roberts, Seattle.

A new candied fruit concern has established a plant in Berkeley, California, under the name of the American Fruit Products Company. The plant has started with a daily production of 200 pounds of candy and plans are being made to increase the capacity.

The Beady Bar Candy Company, Indianapolis, is moving into larger quarters as the first step toward in-

creasing the production of the Beady chocolate bar. New machinery is to be installed.

The New Jersey Retail Ice Cream and Candy Manufacturers' Association held its annual meeting and election of officers January 31st.

Flint, Michigan, is to have a new candy factory. The new concern is a branch of the White Ice Cream Company. Candy bars will be the first product to be placed on the market, and later a full line of candies will be manufactured.



Walter Schmidt,  
Roddewig-Schmidt Candy Company,  
President, The Midland Confectioners' Ass'n.

The Midland Club have changed the name of their organization to The Midland Confectioners' Association. The following officers were elected at their recent annual meeting in Chicago, January 23 and 24, 1924: Walter Schmidt, President; Louis Rohde, Congress Candy Company, and J. A. Cox, Dilling & Company, Vice Presidents. A. H. Newman was re-elected Secretary and Treasurer.



## Make the Holidays Pay

by V. L. Price

*Director of Publicity, National Confectioners' Association*

Address Delivered Before the Midland Confectioners' Association January 24, 1924

**S**INCE the old year closed I have been able to get in touch directly and indirectly with many manufacturers from different sections of the country as to their profits for the year 1923. The result is as it usually is in years that are not excessively bad or excessively good, namely, that some have made a good profit, others have made a small profit or have about broken even and others have lost money and some of them lots of money. When such a condition exists the natural question is—Why? I have made it my business to observe the methods employed by different manufacturers and have matched methods with results. My purpose in doing this is to keep from doing things in my own business which others have tried and proved unsuccessful. There are always a few manufacturers who can make a success in doing certain things and selling certain goods that other manufacturers make a failure of. Just as some people can eat onions with relish and others can't. We all have our limitations as well as our opportunities, but we so frequently are convinced by outside appearances that what someone else can do successfully, we can do and we try and fail.

What we are all in business for is to make a profit and there is for most of us opportunity to make a profit if we do what our abilities, experience, location and circumstances fit us to do. Our great fault as individuals and as an industry is that we seek lines of the least resistance to create sales and production and rely too much upon volume as the way to profit. It is quite possible to do a large volume of business and make no profit and even a loss. This is because in such an undertaking we have our minds on sales and not profits. The profit producers are not the ones who just hope for profit and trust to luck by some act of God that they will get it, but those who think profit and work and figure for profit constantly and courageously. "How much profit am I making?" is the question—not, "How much profit may I make when the year is ended?" One must be able to determine whether it is more profitable to do less business or more business. Whether it is best to let well enough alone or branch off into some wild spasmodic business adventure just because someone else has done so and succeeded. We cannot measure our own capabilities by others successes. There must be an intelligent sizing up of our own situation in order that we may judge as to our fitness for certain undertakings.

There are many things being done today that would be good business if the margin of profit would stand the expense of doing them. The establishment of branch houses, with salesmen and all the expenses incident to carrying on a jobbing business gets added

business, but at an expense that leaves no profit. It is a hopeless undertaking so long as the margin of profit remains what it is and there is every reason to expect that it will remain about where it is. The cutting of prices and making of oversized bar and penny goods to stimulate sales and production never has and never will get anyone any place because competitors meet the condition, divide the business and each one gets his share at a lower margin of profit. Special concessions in any form are not builders of stable business. The only hope is that they will increase sales and production and effect a saving in cost of doing business and labor and overhead. But the sacrifice in profit will always be found to exceed the saving in cost.

We all know that advertising has been a way to success for many and yet there is no way money can be lost quicker than in advertising. Every year we see some manufacturer spending a heap of money in a locality and doing detail work to get his goods introduced. The expenditure to pay must spread over a year's good sales at least. After the first grand flourish what frequently happens? The goods don't repeat and as a result the advertising expense has been more than wasted. There are a good many reasons for this. The eating quality didn't hit the popular taste, the name or appearance of goods was wrong. The goods imitated some popular piece already established or something else went wrong some place. What was the cause of this happening? Not the advertising, but the advertising of something that had not first been through the acid test of consumer approval. No man is smart enough to judge the popularity of any piece of goods until it has gone through this test. I have checked up on several advertising campaigns two or three months after they were over and in only one case have the goods advertised been found ready sellers and with dealer interest behind them, and in this one case, the piece had proven its popularity for three years before it was advertised.

Another thing about this kind of advertising, even with a popular item, is that it is a darn sight different to set aside for advertising something out of past earnings than it is to borrow money to do it with or dig into working capital. Advertising will pay and advertising has paid, but it is unwise unless the popularity of the product to be advertised is a known fact and the money can be spared for the experiment.

We are in the midst of changed economic conditions, and it is a change that has come to stay and to succeed in the face of it we must do things which are practical and profit producing and our efforts to stimulate sales must be practical and within the expense that we can afford. What is the most practical thing that

we can do? If I was a salesman I would sell my customer what he thought he could resell within a reasonable length of time and I could only increase his purchase by showing him how he could sell more than he wanted to buy. The vital thing in every sale is to help your customer sell what you sell him.

Let us take this up to the retailer—how can the salesman help him solve his merchandising problems? Not just by selling him something, but by providing him with ideas which he can use in the resale of his purchase. The retailer is more in need of *Service Salesmanship* than *Candy Salesmanship*. He wants and needs help. The help lies in ideas as to display, advertising, special sales and pricing. Many manufacturers provide the means for the salesman to help with, but too many are still pursuing old out of date methods, and the National Confectioners' Association through its publicity department is trying to furnish the missing link.

We all know the benefit of seasonable demands upon our business. Every one profits from a general increase in consumption. What makes seasons? The sale of candy on one day. When the candy eating public concentrates its purchases on one day it makes a season. Take the Easter season, goods which are sold at Easter time, and have no sale before or after Easter, are the base of the Easter demand. What made this—some one manufacturer? No, the industry concentrating its efforts generally. There was a time not so long ago when Easter candies were only decorative, not intended to be eaten. Now Easter candies are made to eat. This has also made the Easter season bigger and better. What has been done with Easter can be done with other holidays if we as an industry will, by individual effort, co-operate in promoting the holidays.

The reason the holidays provide an opportunity is because they carry in them some purpose or object for buying candy. Take Candy Day for example, it has no place in the public mind that creates a reason for buying candy. It is looked upon by the public as being purely commercial. The only sentiment that has been put into Candy Day is in cases where candy is given away to charities, etc., and in such case we are giving away and not selling it.

Take St. Valentine's Day, it is a day universally recognized as a day of remembrance. Is there any reason why candy could not be made a medium of gift the same as printed cards, etc.? The reason printed cards are used is because the printers took advantage of the opportunity and the confectioners were asleep. If we could put on every retailer's window and in national magazines the slogan "Make Candy Your Valentine" and would make candies to be used as a Valentine and would, through our salesmen, help the retailer to feature St. Valentine's Day, we would soon have another season known as the St. Valentine's season.

The banks through the American Bankers Association suggested to the public Christmas Savings Clubs. These clubs showed a total of 225 million dollars in savings in 1923, which savings were spent in Christmas purchases. The paint and varnish manufacturers with their slogan "Save the Surface" have doubled the sales of their industry. This is suggestion applied through advertising and it works and will work with candy. What we want is a way of increasing the consumption of candy and the holidays offer that way.

Even St. Patrick's Day and Washington's Birthday contain opportunities which many are taking advantage of. It's a case of seeing a practical opportunity and going after it. That's all.

You know what the florists have done with Mother's Day. They have made it their biggest season just by suggesting that flowers be given as a remembrance to mother. Today the confectioners are getting the benefits of Mother's Day and those who are making a real honest effort for Mother's Day business are getting it and in a big way.

It wasn't so long ago that we used to have a big 4th of July business. Today it's a dull period. If retailers would feature 4th of July candy sales it would still be a real candy day. Hallowe'en and Thanksgiving Day are also possible of development and by some have already been made days of largely increased sales.

Christmas is suffering from competition from other things and it needs advertising and display help to keep candy in its popularity as a Christmas gift. The slogan "Christmas Time Is Candy Time" if well advertised would greatly increase Christmas candy sales.

It is possible to largely increase the sale of bulk goods on all these holidays by the use of special printed bags that retailers can use to pack and display their bulk candies in. We have retailers who purchase as many as 1,000 of these bags and use every one of them on one holiday. One wide awake jobber bought from us 100,000 special one-quarter pound St. Valentine bags.

The idea of making the holidays pay is not a wild dream. It's thoroughly practical and time will prove it so. But we need more faith in the idea, more co-operation and more help from the salesmen. In fact the whole plan rests largely upon the salesmen being for it and using it as a means of increasing sales.

By purchasing our advertising material for the industry we are able to buy cheaper and promote uniformity of advertising and ideas. There are no salaries or unnecessary expenses connected with your publicity department. There is no appropriation of funds to run it with—we sell, then buy after the sale is made. We do know we have accomplished much, but we so thoroughly believe in the opportunities of making the holidays pay that we ask earnestly for greater co-operation and more faith in the idea.





## To Tax or Not to Tax? That Is the Question

by W. C. Hughes

Secretary, National Confectioners' Association

Address Delivered Before the Midland Confectioners' Association January 23, 1924

**A** COLORED man had deposited \$10.00 hard earned savings with a colored friend who was the owner of a small bank.

A year or so later, desiring to draw out his \$10.00 for an urgent need, he presented his deposit book and demanded the \$10.00, whereupon his friend the banker replied:

"Look heah, culled man, don' you all know the intesht dun et up that \$10.00?"

By this time some of you no doubt have found out the Excise Tax "dun et up" all of your profits for 1923.

If this same colored man had deposited his hard earned \$10.00 in one of our savings banks here in Chicago and his account had been credited with the interest, and if he was absolutely honest when he made out his personal property tax schedule and included the \$10.00 with whatever interest had accumulated with his other personal property as he should do according to law, his personal property tax at the present Illinois rate would in time "dun et up" both the principal and the interest and he would be no better off than if he had left the \$10.00 with his friend the banker to be "et up" by the interest.

### Candy Excise Tax More Than the Net Profits

The candy Excise Tax comes pretty close to being a confiscatory tax for many manufacturers.

The candy Excise Tax for the year 1923 was no doubt more than the average net profit of the entire industry. In many cases, it was paid out of invested capital. In such cases bankruptcy is the inevitable result.

As it was in the case of the colored man's \$10.00, the Excise Tax would sooner or later eat up the invested capital.

Reports which I have received from time to time show that many manufacturers are making money and there are many others who are not making money. Taking the industry as a whole, the average net profit is ridiculously small as compared with the net profits made in other industries.

### Tax Not Always Included in Cost

You manufacturers stamp or have printed on your invoices a notice to your customers to the effect that you have added a sufficient amount to your selling prices to cover the tax and that your invoice prices therefore include the tax, and when you are computing the Excise Tax on your sales for each month, you deduct 3/103 from the total and pay a 3% Excise Tax on the balance.

But, have you as a matter of fact, actually included the tax as a part of your cost? Do you include the tax

as a part of the cost of your goods just the same as you include the cost of raw materials, rent, heat and power?

Or, do you draw a check each month for the Excise Tax on the sales of the previous month and charge the amount to expense? If you do, you are paying the tax out of your profits and if you make no profit, you are paying the tax out of your invested capital.

Even if the tax is included in the cost of the candy and therefore included in the invoice prices to your customers, that does not necessarily mean that you are going to get it back again unless your goods are sold at a profit.

I have talked with many manufacturers about how they regard the Excise Tax from the viewpoint of cost account. I find that a great many treat the tax as an expense, the same as a personal property tax or a real property tax. They regard it as an overhead expense.

You know from experience how difficult it is to determine how the overhead expense should be distributed and how difficult it is to accurately figure the cost of the different kinds of candy that you are manufacturing.

The only safe plan to follow is to figure the cost independently of the tax and add an amount sufficient to cover the tax to the basic selling price, the total of which would be your invoice price. When this is done, the Excise Tax which you pay should be charged against your sales account, and you would not be fooling yourself and would be playing safe.

From the experience that we have had and the questions that have arisen in connection with cost accounting, I am confident that the industry would have been better off if, in the beginning, we had decided to add the tax as a separate item to the invoices. It would not alone have simplified the situation to a great extent insofar as the cost account of the manufacturers was concerned, but also have produced an effect upon the jobbers and the retailers that, in my opinion, would have created an opposition to the tax that would have been very helpful in bringing about its removal, whereas under present conditions, many jobbers and retailers are indifferent because a great many of them think that they are not paying the tax, due to the fact that while it is included in the manufacturer's invoice price, they do not know that it is there.

It is my opinion that in a good many cases, the tax is not included even though there is a notice on the invoice that it has been included in the selling price.

I did not intend to refer to cost accounting methods, but these thoughts have come up in my mind in connection with various questions that have been asked by Senators and Congressmen who have been interviewed

by our members relative to repealing the candy Excise Tax.

It is hard for a Senator or Congressman to understand, if the tax is included in our invoice prices as we say it is and collected from our customers, why it has any relation to profits. Therefore, they ask these questions.

### Hard Work Brings Results

You are familiar with the work that we have been doing in all of the states relative to bringing about a repeal of the candy Excise Tax.

We, and by "We," I mean the entire candy industry owe a deep debt of gratitude to our members in the various states for their untiring efforts with their Senators and Congressmen in convincing them that this unjust burden should be removed from the candy industry.

This has been no easy task. It has required hard work and great personal sacrifice. Senators and Congressmen had to be convinced. They wanted the facts and it was necessary to press the facts home with good, strong, forceful arguments.

I want to take this opportunity to express my personal appreciation of the work that these members have been doing and the wonderfully fine spirit that they have shown and the splendid co-operation which they have given me.

If the candy Excise Tax is repealed as we hope and believe it will be, it will be due to the good work that our members have done with their Senators and Congressmen.

### Hearing Before Ways and Means Committee

On January 15th, we had a hearing before the Ways and Means Committee. On account of the large number of industries that had requested the privilege of being heard, only 10 minutes was given us within which to present our arguments. I had received a telegram from Washington only two days before the hearing and it was therefore necessary to make quick arrangements by telegraph with members of our Executive Committee and eastern manufacturers who could conveniently go to Washington to be there on the day of the hearing.

The majority of the members of our Executive Committee were present at the hearing and a number of our prominent members from the Eastern and Central States.

Mr. Walter H. Belcher, President of the Association, was selected to present the arguments to the Committee.

It was very evident from the attitude of the committee that there had been a decided change in the sentiment of the committee relative to the repeal of the candy Excise Tax. The questions which they asked showed that they were well informed on the conditions of the candy industry and the effect that the tax was having upon the industry. Their attitude was sympathetic and decidedly friendly.

This, of course, was due to the work that our members had been doing in the various states through personal calls and correspondence which they had had with their Senators and Congressmen, and especially with the members of the Ways and Means Committee.

It was the first time that I recall in the many years of legislative experience that I have had that we had the privilege of appearing before a Legislative Committee that was sympathetic and showed a favorable attitude.

Hearings of this kind are more or less a matter of form, but it was very apparent to everyone who attended the hearing that practically every member on

the Ways and Means Committee was in favor of repealing the Excise Tax on candy.

### Taxation Propaganda

You have read a great deal in the daily newspapers, magazines and other periodicals about the famous Mellon bill.

Hundreds of trade organizations, hundreds of chambers of commerce, hundreds of thousands of individuals have deluged Congress with appeals for the enactment of the Mellon bill. It is pretty safe to assume that the majority have never seen the bill, to say anything about being familiar with its provisions and being able to discuss it intelligently.

This hysteria in favor of the bill has been created by taxation propaganda. The average man's impressions are formed from articles which he reads from time to time in the daily press and other publications.

We are all agreed that taxes must be reduced, but we are not agreed as to how that result should be brought about.

Mr. Mellon does not recommend the repeal of any of the Excise Taxes, which, of course, includes the Excise Tax on candy. We believe, from the interviews that we have with the members of the Ways and Means Committee and their attitude at the hearing that they will act independently on this question of repealing the candy Excise Tax. There is no probability whatever that the Mellon bill will be enacted into law. The recommendations of the Secretary carry great weight but not enough weight to overcome the individual judgment of the members of Congress or prevent the political jockeying that is inevitable in the final consideration of its numerous provisions.

Some bill will be enacted, that much we know for certain, but as to its exact form, no one can even surmise what it will be, but unless some unforeseen conditions should develop, I think that we can be reasonably confident that the bill will not include a candy Excise Tax.

### Multiplicity of Laws

The number of bills that have thus far been introduced in Congress at this session are approximately 2,000 in the Senate and 6,000 in the House.

It is apparent that very few of these bills will be enacted into law. Some of them are introduced purely for political purposes with no hope of ever being passed. Others are introduced for a sincere purpose and their sponsors will do everything that they can to put them through.

The number of bills that are enacted into law each year by Congress and the legislatures of the various state run well up into the tens of thousands. It is very evident that it is impossible for any business man to know what the law is on any subject.

This condition has brought about the development of legal experts and specialists along certain lines of jurisprudence. We now have our tax experts, our real estate experts and all the various departments of the law represented by attorneys who specialize along specific lines.

The law department of the Columbia University in New York City contains 100,000 volumes and is increasing at the rate of about 8,000 volumes per year. It requires 650 large volumes to hold the opinions of the Supreme Court of the United States on the questions of constitutionality.

To the average business man, it would seem as though what we need is not more laws, but the repeal of a great many of the laws that are on the statute

(Continued on page 37)

# Factory Organization

An Address Delivered at the Annual Meeting of the Midland Confectioners' Association

by **Fred W. Amend**

*President, The Fred W. Amend Company, Chicago*

**Y**OUR secretary, Mr. Newman, has asked me to say a few words on organization, and to answer a few questions relative to factory management.

Please remember, that this subject has been chosen for me, and that I am not posing as an expert, as the achievement of an expert would be a perfect organization.

One does not fully realize how little he knows on the subject, until he is required to put his knowledge into writing, in such a form that it would prove of value to others. His experience is within his own field, and as every other field of activity presents its own particular problem, he can only very generally outline his own problem, and trust to luck that it will be fitted in part, at least, to the problems of his audience.

Every successful business man has had to do with the matter of organization, as well as every unsuccessful one. Business cannot be carried on without some form of organization. Every one of you, as a successful manufacturer or wholesaler, must be aware of the advantages of good organization, or you would not be successful. What is organization, or rather, what is *good* organization? One of the definitions to be found in Webster of the word organization is: "To become systematized into a whole of inter-dependent parts."

Systematized inter-dependence implies co-ordination of the working parts of the whole, or in other words, it means team work. A perfect operation of all the parts is secured only through the perfect working of each of the parts. When one vital part of a machine is out of order, none of the parts will be able to accomplish its utmost.

The whole problem of business resolves itself into the adjustment of the organization to team work. In making this adjustment, it is necessary to remember that the most important member of the team is outside of the organization. This important member is the general public, a very amiable character, ready at all times to help if we do things his way. Easy to go along with, side by side, but obstinate when we attempt to drive him. The public wishes to be served, and only to the degree that our organization is adjusted to give service will we be successful.

Any theory to the contrary is founded on inexperience. The public has an uncanny instinct for determining values and, while it may be fooled for a time, it does not stay fooled. In the end, the survival is to the best value, or the most competent service. Therefore, the first step in business, and every other step, is the study of the habits, customs and desires of the public.

We should include as a factor in our problem, our friendly competitor, for we may reasonably consider the competitor as a help rather than a hindrance, to the development of our business. If this fact were more generally recognized, it would lead to better organization of the industry, as well as to stronger team work in giving the public better service for the money it pays for our products. No one has the right to tax the public for his incapacity or incompetence in render-

ing service. Better service would mean larger profits for the business, and greater benefits to the public.

When planning an organization, we find ourselves between the devil and the deep blue sea, notwithstanding our previous experience. Most any of us can put parts together in some sort of fashion, and the lay-out will look very good to us, and we will feel that we have achieved something worth while, but we shortly begin to discover defects. The results are not according to our theories. We are either too well organized—top-heavy with overhead, or not organized well enough. In other words, the parts do not balance. This brings us to the point where we can truthfully say that a perfect business organization is the result, not so much of preliminary planning, as of subsequent growth. It requires time, patience, and persistence, as well as a desire for improvement, coupled with aptitude for the work. Of course, when one is in a comfortable position in business, and has no wish to improve, all arguments in the world on better organization for the purpose of giving a higher order of service to the public and at the same time, increasing his own reward, would prove of no avail. He has stopped growing.

The greater public—those outside of his immediate circle—give their decision against him, not in words, but in deeds. They buy from the other fellow.

Every manager of a manufacturing business would like to have a perfectly balanced, smoothly working organization, each part performing its function with ease and precision. He would like a system that included storekeepers, time clerks, incheckers and outcheckers for every department, but every business cannot afford nonproducers in sufficient numbers to justify such a complete checking system as the volume is not great enough.

It is just as dangerous to be over-loaded with system as not to have enough system. Theoretical ideas of efficiency can be and are often carried to the point where they fail entirely of their purpose.

The whole purpose of a checking system is to keep track of things in order that our calculations may be correct. We must know what is going on and all about it. Usually a system which covers a checking of the essentials and is not made cumbersome by the inclusion of a mass of non-essentials, will enable the management to know and control operations, keeping down overhead and increasing production. This does not mean that small matters, seemingly insignificant, are to be ignored, but for economy, they may be grouped in such a manner that checking them will not be burdensome.

A system of checking may be, and it is in some factories, the work of every man concerned in each movement. All co-operate to perfect and simplify the system; it becomes a matter of teamwork and almost automatic in its operation, saving time for every one concerned, and facilitating movement in every department.

To speak of Factory Management without reference to the workings of other departments, would fall short of completeness.

Every manufacturer, according to the nature of his business, has his stock department, shipping department, accounting department, purchasing department,

etc. There is no need to enumerate all possible divisions of work. The point is—that the work is divided.

To give in detail the divisions of a factory organization would take up too much time, and would be going over a ground with which every manufacturer and wholesaler is familiar.

Business men realize the advantages of a good organization, or let us say, of good team work, for without organization there can be no real progress. The growth of the business reflects the skill displayed in the development of the organization. A business permanently can be no greater than its organization considered as a whole.

You cannot expect a superintendent to secure the maximum of production unless he is supported by the sales department, the buying department, and in fact, all departments which function as a part of the business. There must be a sufficient number of orders to keep the factory running to its capacity.

We cannot expect a salesman to secure the greatest results if his orders are not filled promptly and correctly.

We cannot expect repeat orders if the kind of goods manufactured are not suited to the market or are not of good quality or properly priced.

We cannot expect to properly price our products and make a profit unless we are correctly adjusted in our production department.

The credit man may easily cause a loss to both salesman and the house by injudicious or fretful correspondence.

The manager may automatically assert his authority in things better left to the employee. Constant interference is damaging to morale and effective work.

The general policy of the house and its methods of merchandising may be out of harmony with the accepted methods of trade; too rigorous, or too yielding.

All these things and many more, are part of the organization, all important, all requiring constant supervision, continual improvement, or adjustment to changing conditions. All systems should be elastic to a degree that will make them adaptable to ever continuing progress.

In Factory Management, the same principles of co-ordination of parts should rule, if the maximum of results in production are desired. Each machine should turn out its full quota according to its capacity. The sales department should regulate itself largely by factory needs, and the factory should be regulated by order department needs. When working at cross purposes there is sure to be a loss in profit.

Salesmen are apt to take orders for the goods which sell with the least effort. This would mean to a rigidly fixed factory—that some departments would be overcrowded and others would be idle. In this case, it is either a matter of selling more goods in the idle department, or making more of the goods that are selling by increasing the capacity in these departments where the seller is produced.

Now, on the question of production. Every productive unit in a factory, to secure the maximum results, must be balanced—that is, the inflow must equal the full possibilities of the machine, and the outflow fully

cared for by sufficient equipment all along the line to the finished product.

In Factory Management, there should be a production manager, who may or may not be the superintendent. His work should be to devise ways and means of increasing the output of every machine and man in the factory. Sometimes this can be done in an astonishingly simple way without adding more than a few dollars to the machinery account, but in effect adding many dollars to the profit account.

The superintendent, among other things, should see to it that his subordinates do their work properly. He should keep the departments full. He should be able to teach those less capable than himself, to do the things which he can do better, or at least as well, as he can do them. His is the master mind. The subordinate merely reflects the thinking of the master mind in his performances. If a subordinate can be taught to imitate perfect performance, his work, if the imitation is good, is as satisfactory as that of the man endowed with the creativeness of the master mind. Any superior can discharge subordinates. It demands a real executive to keep them at work performing their duties correctly.

The manager should—well, we will leave it to him. He's the boss. But as the dog trainer said, "To teach a dog new tricks, you must know more than the dog."

The human side of Factory Management—the humanizing theory applied—is a matter that must be dependent on the personal characteristics of the manager or superintendent. That employees must be treated liberally, justly and humanly in order to obtain the fullest results from their work, is not to be doubted. They should be paid well, well enough indeed to make their jobs attractive. They should be paid in cash, not in promises. The future does not usually appear sufficiently rosy to the wage earner, if he considers it at all. He wants his money today.

But there should be an insistence on performance. Undue laxness is not to be encouraged through fear of offending the sensitive nature of the one reprovied. Kindly severity is frequently necessary. But the manager and superintendent need not be going around with a chip on their shoulders.

To lay out an organization chart or a code of personal conduct in relation to employees that would fit every factory, would plainly be impossible, as each differs from the other in so many ways and is so largely of a personal nature that it must be left to the good sense of the men in charge.

Common sense, after all, is enough to guide us in any business problems, or personal relation; it should be so, at any rate.

Organization, then, is simply a system of working together harmoniously for the achievement of a definite purpose, each part dependent on every other part. A good organization is a combination that is well balanced in every unit of both men and machinery—common sense crystallized into a perfectly working instrument for attainment.

Successful business is the work of many minds and many men and never can it be truly said that it is a *one man achievement*.

## Roundtable Discussion Following Mr. Amend's Address

### Wage Incentive—Piecework Rates as a Means of Increasing Production—Does It Tend Toward Careless Work?

**Mr. Amend:** Piecework always increases production, providing it is handled correctly. We have very fortunately quite a wonderful forelady, and probably reciting her method of keeping up the standard of work done will help to answer this question. The only piecework we do is on a 5c piece. If she sees a package in a box that is poorly wrapped, the whole box is dumped. They get 4c a box for that work, and it is really surprising how few boxes are dumped. We have found by putting the girls on piecework that we have an increase of 250% in the output of each girl, and of the department as a whole.

**Chairman Hames:** I think our President told us a little of that yesterday when he made the statement that his hard candy room produced 28 to 30 batches in 1½ hours.

**Mr. Plonsky:** Under proper supervision, which it requires, whether it is piecework or not, I do claim it is an incentive to put employees on piecework. In our hard candy department, for the last four months of the year we more than doubled our output and brought down the cost of production I think from 65% to 70%. That department used to run 12 batches a day with three hours, time and a half overtime. We got 28 and 30 batches a day on piecework and they were making all the way from \$59 to \$65 a week. It does speed up your efficiency under proper supervision. Of course, they bear watching. It is immaterial whether it is chocolate dippers or what. I think the piecework basis is the proper thing.

**Chairman Hames:** Some of these factory questions we have here are probably from large manufacturers that can departmentize their factories and work successfully on piecework or time work. If any of you smaller manufacturers have anything to offer on that we'd be glad to hear from you.

### Re-Laying Out of Orders

Another question is: Laying out of orders in your factory. Do you lay out orders according to capacity of machines or leave it to your foreman, and if not to your foreman, does it impair the foreman's sense of responsibility to lay out work for the department over his head? For instance, you have someone in your establishment that takes these orders up and attempts to tell the factory how they are going to be laid out. Does it impair the foreman's sense of responsibility; should that be left to the foreman entirely?

**Mr. Amend:** I think you had better ask that question of somebody that has had experience in a factory where they make a large number of items in a department. My experience has always been where we have made, as much as possible, one piece in a factory. We never allowed the foreman to lay out anything. In fact, he had nothing to lay out. He just knew how many batches were expected a day. We knew what the capacity was. He was supposed to run to full capacity on every item that he run. I believe that I am speaking of specialization, not of a general factory—I believe that you can

concentrate a foreman's attention on the actual work, the actual productive work, the more you can do that the better the work you will get and the more work. If you can relieve him of as much responsibility, so that he can concentrate on the one thing you will have less worry about your production, and your production costs. But if you will ask someone here—there are quite a few manufacturers here that make a general line, make a good many different items in every department, there probably would naturally be a great deal of difference than a department where you specialize.

**Chairman Hames:** Mr. George E. Williamson.

**Mr. Williamson:** Our superintendent governs all the layout for the work. We have quite a diversified line and all the requests for stock go through his office and are made up for the different departments as they come up. Naturally, outside of our stick candy department and chocolate department, everything is more or less diversified, but I think we do like most every one else, we work to capacity when we can, and when we can't we do the best we can. (Laughter.)

**Mr. Drury:** I don't know whether the others are using this or not. We have two candy-making departments, hard goods and cream departments, over which we have a foreman and we give the foreman a bonus per pound, 1-10 of a cent per pound for the production in his department, and that is divided between him and his first helper. You see it is a small matter. It has two results. One is to turn out the maximum of production because their production is footed up at the end of each week and the bonus is added to their pay check. It also has another effect, which is to create an incentive for the foreman to produce the very best piece of merchandise that he possibly can produce in his department with the given materials, so that it will bring more business to his department. We find that they take special interest in the items that are given to them to make. We have a factory that was built for us quite a little over-sized and it was necessary to make items to produce production for these two departments, and they have helped us a great deal in getting out items that could be produced at a cost, getting the cost down so that we could put them out to the jobbing trade at a profit, and make them just as good as they could possibly make them, so as to bring that much work to their department, for the more people that they could employ in their department under them and the larger the production of their department, the larger their pay check would be at the end of each week.

**Chairman Hames:** Do you have any trouble on your pay roll in paying that bonus on unfinished merchandise? If you pay today and the goods are in process, how do you pay for them?

**Mr. Drury:** Everything goes over the scales out of every department. We have a continuous cost finding system and if it should be caramels, we will say, packed in pails, they come out of the cream department and go over a dormant floor scale. At the end of the week the slips are picked up from this dormant floor scale and he is paid for the number of pounds that come out

of his department. He gets no credit for unfinished work.

### What Method Have You in Training Help?

That probably would not apply so much to a one piece manufacturer. It seems like an important question, too. Do any of you have separate departments where you train your help before you put them into the regular departments?

**Mr. Blunt:** We don't have any special department to train candy makers. We usually take the helpers and move them up. The last two or three years we have moved up a lot of helpers to candy makers. We lost three or four of our old-time candy makers, who have gone away or have gone into other lines. We don't have any trouble along that line. Our helpers stay with us a number of years. If anything like that occurs we have a very good superintendent who is a good candy maker himself. He can take a helper and make a candy maker out of him by working with him in his department for a few months until he thinks he can leave him alone. Out in San Francisco they have a school for chocolate dippers, where they do train chocolate dippers. We have talked about that in Denver but have not gotten anywhere with it. Usually during the dull season we have more than we can use and when the busy season comes along it is a scramble for them, anyhow. I don't know of any place where they train candy dippers or candy makers and make very much out of it.

**Mr. Goeltz:** We happen to be fortunate to have help with us for 15 or 20 years and any new help we need is just ordinary labor, and as for runners, we break them in gradually; they get into the system, learn how to handle a runner, and after a few weeks they get to be pretty good runners.

**Chairman Hames:** I might give you a little experience that I have had myself with the wholesale brush manufacturer located next door to me. He has had considerable trouble in getting help, suitable help, for making brushes. He sent on to New York and got a factory efficiency man that has opened a school for brush makers. We have more brush makers in St. Paul today than we have brushes. (Laughter.) And the superintendent tells me that they have increased their output 40%, with just that very little expense. It might be well for you to think it over.

**What method have you in employing help?**

**Mr. Amend:** I imagine that means, do you hire anybody that comes in or have you any way of questioning them, if they have had any experience, etc.? Ours is all starch work. I imagine that every other manufacturer finds when we want to get somebody in the starch department we have to hire a Tony or a Dominick or pick up some fellow that does not care much what he does. But it is usually left to the superintendent, I imagine, in most of the factories, to interview the applicants and find out what their qualifications are. The superintendent usually knows what department needs help and is thoroughly familiar with the work the man has to do, and in that way can, in talking with a man, decide whether it is possible for him to fill a job.

**Chairman Hames:** Our last question

is a very important one and should be talked over at length. When does it pay to buy new machinery and when does it not pay?

I don't think very many of you are buying new machinery these days. The Secretary suggests we ask about second-hand machinery.

*Have you any way of keeping before your help the necessity of avoiding accidents, which has been the cause of insurance rates being very materially raised in candy factories?*

**Mr. Amend:** Well, I don't believe that with the number of precautions that the local inspectors insist upon that there is much danger of anyone getting hurt in a candy factory today. I know you have to build a fence around every belt you have got. Of course, if your place is clean and everything else is right there is not much real danger. I think one of the greatest preventatives of accidents in a candy factory is when a fellow does get his hand caught in something all the Wops gather around and sympathize with him and look the details over very carefully. That is probably the greatest preventative there is as far as accidents are concerned.

**Mr. Paris:** I might add in regard to safety, that the insurance people up our

way require or suggest that a safety organization be formed. We formed this organization in our plant about a year and a half ago. This organization is composed of the foreman and foreladies of the different departments. We meet once a month and discuss the conditions in the factory and discuss the guards on the machinery and other matters that pertain to safety. We find that accidents are reduced to a minimum. We have had no serious accidents—some minor accidents, such as slivers, nails, etc., that people run in their hands and fingers. We find that the employees, through the superintendents and foremen and foreladies, are cautioned in regard to their work. We find also that their interest in safeguards increases. This also brings an opportunity for the manager and the superintendent to discuss conditions in the factory relative to guards and safety devices and cleanliness, both as to the factory and to the employees. It has worked out very successfully in my plant.

**Mr. Brandt:** Somebody said something about insurance rates increasing. That safety organization reduces your premium of your policy 5% if carried out.

**Mr. Schuler:** I would like to ask if

any of the members have any trouble with damp starch during the summertime and how they overcome it.

**Mr. George Williamson:** I never worked in a starchroom myself. The method we use for that sort of thing is to put the starch in the dry room and dry it out. You have got to do that consistently, in damp weather it requires more attention than otherwise. You have got to have added facilities for doing that. It has got to be made a business of just the same as any other part of your work.

**Mr. Walz:** Mr. Hames, I am perfectly willing to answer any questions that I can answer intelligently. When it comes to the outside conduct of our business, selling of merchandise, etc., shoot them at me. When it comes to the conduct of our factory I think I will have to refer you to some minds that are occupied with that all the time. I have very little to do with the manufacturing end of our business. I have my hands full selling the stuff we make. (Laughter.)

**Chairman Hames:** This winds up our program of the Question Box for this year. I am satisfied as far as we have gone it will give us something to bring about between now and next year.

Adjourned at 12:05.

## TO TAX OR NOT TO TAX?

(Continued from page 33)

\*books at the present time which are either not enforced or are willfully disregarded.

### The Burden of Taxation

The average business man sometimes feels that about all that he gets out of his efforts is the privilege of paying a tax of one kind or another.

Taxes have increased to an enormous extent during the past twenty years.

The per capita tax including state, local and federal taxes now amounts to about \$80.00. For a family of five, this means an annual expenditure in taxes of about \$400.00 which must be paid out of the family income.

The state and local taxes average about \$47.00 per capita and the federal taxes about \$33.00.

During the period of 1903 to 1921, the cost of running the government increased 430%. This enormous increase was due almost entirely to the unusual expense incidental to the great war. During that period the population increased only 33%.

From 1903 to 1921, federal taxes increased 750%. State taxes increased about 400%. Municipal taxes about 500%.

The multitude of tax plans and schemes for reducing the high cost of living are being enthusiastically sponsored by well meaning individuals. Out of all of this tax medley, the bewildered citizen emerges wholly incapable of forming an intelligent impression as to what he really does want or what really should be done, but he does know that he wants lower taxes.

This is the situation that is facing Congress at the present time and the incessant and universal demand for lower taxes will undoubtedly bring about a much needed relief from the present tax burden.

This condition develops socialism, disloyalty and all the evils incidental thereto. These false theories of government are sure to find supporters under such conditions and they are not without their ardent advocates in the halls of Congress.

But the rank and file, the backbone and sinew of this great country, the common people, the farmers and the tradesmen of the country communities are loyal,

honest, God fearing, patriotic American citizens and in time of danger will rally to our country's defense as they always have and always will, even to the extent of making the supreme sacrifice.

Conditions may not be what they should be, but they are vastly better than in any other country under the sun. We are bewildered with all kinds of propaganda but in spite of these conditions, we will all agree with Uncle Joe Cannon who, after 46 years of service in the House of Representatives, replied to some calamity howler, "Yes, in spite of that, however, this country is a hell of a success."



J. A. Cox, Dilling & Co., Indianapolis,  
Vice President, Midland Confectioners' Ass'n.

# Piracy

An Address Before the Midland Confectioners' Association

by **Carl E. Behr**

*Sales Manager, The Paul F. Beich Co., Bloomington and Chicago*

**T**HE title of this talk according to the program is Piracy. It might have been called Trade Dress, or Candy Ethics equally well, but these names, while less formidable, would probably not have the faculty of creating interest that Piracy has. I suppose that Piracy would be considered a mild term when our competitor adopts such tactics and altogether unwarranted, if our competitor accuses us.

The subject is one that I have discussed with some of you and I guess all of you have talked it over among yourselves more than once. As I am no lawyer and this talk contains some technical matter, which I might not state clearly, I am going to read it, for which I ask your indulgence.

Back in the days when most candy was sold in bulk, the retailer controlled sales as well as purchases. The consumer asked for so much of this or that, indicating the variety desired. If the dealer changed firms from whom he bought, the consumer had no way of indicating his preference between the old and the new.

Now,\* however, a large proportion of the candy bought is asked for by name or is selected by appearance if the name is not conspicuous. That is, the consumer controls the sale.

Therefore, the trade dress and name assume a great importance in the marketing of our products.

## The Price of Piracy

There are few entirely new things in the world, least of all in the candy business, so no doubt practically all additions to our lines are the result of an idea suggested by another piece or a combination of several pieces or an improvement of an old one, and obviously there is more caution necessary in getting up a label for such a piece than on one that is strikingly original.

In the past it has happened so frequently as to almost be a custom in some firms for salesmen to bring in samples of good sellers and the factory would endeavor to duplicate them and let the salesmen sell them the following week.

Let us see where this has lead.

Instead of salesmen knowing that they must sell what they have or lose out, they get to a point where they feel that if the factory doesn't make what is selling in their territory, they cannot be expected to make good.

Instead of those responsible for production using their own brains in adding something to their line, they wait for their salesmen to bring in pieces for them to imitate.

Factory and salesmen both, watch the other fellow instead of their own job. They are in a constant race to imitate all the best sellers which, of course, change constantly and as a result, both the production and sales departments are pursuing an elusive goal, one that is never reached.

The imitators we have always had with us—probably always will—and as long as similar goods are marketed so that the wholesaler, retailer, and consumer know what they are buying, such practices are probably legal. But there is an important point here and one that

should be borne in mind by everyone in the candy business, now that new brands and packages are becoming as common as cars on Michigan Boulevard.

## The Original Product and Its Common Law Rights

The name should be different as well as the design on which the name is reproduced. This combination of name and design is the trade mark. It is a trademark whether it is registered at Washington or not. It is the property of the first continuous user whether registered at Washington or not.

Next to the name comes the label which must also be so different that it will not be easily confused with a similar product. The label may be copyrighted, but just because it is not, does not give anyone the right to imitate it.

After a well known chocolate manufacturer has established his name, another man with the same name but different initials was compelled to label his product in large letters, "No connection with So & So." Even though there was a difference in the initials and package, it was held that consumers wanting the first brand might be confused.

If a chocolate manufacturer markets a solid chocolate bar and labels it, say, in a green and gold label of distinctive design that would not prevent a candy maker from using a wrapper printed in green and gold. But the design as well as the candy itself should be different. If the nature of the candy is imitated, then the wrapper or label should be quite different from the other piece. In other words if you started to make a 5c Pineapple Cream Egg last year and wrapped it in purple tinfoil printed in yellow, with a distinctive design, that would give you a decided advantage in preventing the use of a purple and yellow wrapper with a similar design on a chocolate cream in egg shape by another manufacturer. But he would be within his rights in using purple tinfoil printed in yellow on a solid chocolate flat cake or on a 5c hard candy sucker. The difference in the shape and character of the candy would prevent confusion and substitution.

In cases of this kind, courts have decided that if a person would be likely to mistake a competitive piece for another, then the originator would be entitled to redress. It is not expected that a purchaser will examine the label or package with a microscope. The labels must be so unlike that the average purchaser in the hurry of buying will not mistake one for the other.

I know of instances where our own employees in the hurry of going to a picture show, for instance, would pick up a 5c bar thinking they were getting one of our own products only to find later that they got something made by another firm.

## The Purpose of a Wrapper

To a business man a wrapper on a box or a bar means first of all, identification for the product, but just because he looks at it in this way is no indication that the consumer does.

I asked five women who do not come any closer to business than calling for their husbands at their offices

occasionally, what the function of a wrapper was and four of the five said it was to protect the contents. Only one looked on the label essentially as a mark of identification.

I speak of this to indicate only a slight interest on the part of the consumer in the label and consequently the greater necessity of making it unique so that an article with a strikingly different label would not be accepted.

If, therefore, six firms all make a cherry cream bar, for instance, they should be careful to put their own identity in the label and not copy the other fellow's. Perhaps No. 6 has the best product, but if he copies No. 1's label, he will not get the benefit of his superiority in manufacturing. But if he is a better candy maker and uses his own head in naming and labeling his candy, then he will get the profit of and credit for his skill.

Right here it might be said that in the last year or two there has been more of an effort to popularize one's own products and make them attractive to the consumer and less of the abject imitating of former years.

This has come partly from a conviction that a little more ethics is desirable but mostly because it has proven profitable. Many firms have found that their imitation did not sell as well as the one that inspired it even though it was good candy. Then perhaps they would take one of their older numbers which time had proven a steady seller and give it a more attractive wrapper. And they would adjust the count, size, or price to give it a more popular appeal. To attract the consumer's and retailer's attention, they would use a novel container and advertise it. Then by requiring their selling organization to feature it, the increase in sales would be exceedingly profitable.

#### **Cooperation of Container and Wrapper Manufacturers Needed**

With many paper and printing houses, samples of new work are given to all salesmen as soon as completed and a high pressure but misguided salesman uses these samples on buyers making a competing product and within two months one sample in the hands of one salesman may have given birth to a dozen or more imitations in color or size or shape or design or all combined. There are of course many salesmen who do not stoop to such methods and some houses by their high standards discourage the practice and refuse to make labels which resemble others even if ordered direct by the customer. I recall several salesmen who have the implicit confidence of their customers because of their well known attitude in giving even their best customers no information about what other customers are buying or are about to put out. But everyone of us knows from personal experience that there are many of the other kind and that is the kind I am talking about.

We should be especially wary; I believe, of the salesman who is selling, we will say, printed wrappers and who comes to us saying "Did you know that Jones Candy Company is making a piece of candy out of cocoanut and filberts dipped in chocolate" and even gives you the name. "He is buying wrappers in five million lots and I can make you a similar wrapper for \$1.00 a thousand and I know you can make the same piece of candy."

There are too many of these fellows about. One of the best known candy manufacturers in the Midland Club told me that after buying a paper box of a firm, within a year the salesman he bought it of sold similar packages to twenty-seven competitors for packing the same kind of candy.

Another told me that a salesman who sold a distinctive type of container offered to print it in the combination of colors used by the originator and as a clinching argument stated that he had done the same thing for three other manufacturers all competing with the one he was then endeavoring to sell.

When a man comes to you with a proposition to imitate a label, give him the air. He will do the same with your product if you gave him an order. He isn't intelligent enough to know that he is spoiling the market for all.

In talking to Mr. Hughes on this subject recently he said that in his opinion those manufacturers in allied trades who sell us wrappers, labels, cartons, etc., could serve the industry in no better way than that of establishing a fixed unyielding principle that a wrapper, carton, or label, whether made by themselves or another firm would not under any circumstances be imitated for another candy maker.

If we are not ingenious enough to originate candy that at least looks new, let's dress and name it in such a way that we not only do not get the business the other fellow is rightfully entitled to, but so that after the consumer has tried our piece and liked it, he will know what to ask or look for and we will get what business we have deserved.

#### **Keep Posted on Trade Name Adoptions**

A large number of cases of using conflicting names and designs occur through ignorance of the fact that others are using the same thing. There are thousands of candy manufacturers in the country and they market, I would say, several dozen new items a year. It is easy to see how several makers will think of the same name or decide on the same colors for the label. I think the Pullman people have an easy time in getting new names for the sleeping cars compared with the candy maker who is trying to think of a new name for a bar. We seem to feel that the name for a bar must be up-to-date and snappy so when there is some event that occupies the limelight for a period, half a dozen candymakers are going to adopt a name based on it, all at the same time. The name King Tut must have been adopted by a dozen candy makers at least and about a year ago a popular song was the inspiration for a name which was used by five firms that I know of and of course, they all started using it about the same time. Some of them were so widely separated that there is no doubt that they were unaware of its adoption by anyone else.

Right here is a case where reading our trade journals carefully may save us the costly experience of adopting a name on the spur of the moment and later finding the same name being advertised by a competitor. If we will read the advertisements regularly, we will find many a name in use by a manufacturer whose goods may not be sold in our territory, but who nevertheless has already established his right to the name.

#### **Coined Names vs. Descriptive Names**

Even if we feel sure the name is original, we may adopt a mark which cannot be registered after it is adopted and in a recent article in *Printer's Ink*, Chauncey P. Carter, a New York lawyer who specializes in trade-mark cases, brought out the great advantage of coining names rather than using some that are in the dictionary. We are prone to use descriptive names which, generally speaking, cannot be registered, while a coined name can be.

Kodak, Steero, Nujol, Valspar are examples of coined names which are easily protected. Royal, Star, Queen, while registerable in many cases frequently run

up against a lawsuit after registration, for even if I register a mark and you have been using it regularly for some years previous to my adoption of the mark, I am out of luck.

We ought to keep clear the fact that registration of a trade-mark and copyrighting labels is only a slight protection to the manufacturer. In fact, it is only evidence of a date of starting the use of a mark. What is known as common law confers certain rights, and damages can be collected if you lose profits on account of labels being imitated even if there is no registration of the mark imitated. But what some business men do not know is that outside of going to law, which is slow and expensive, there is the machinery of the Federal Trade Commission which has been quite active recently in stopping unfair competition and the decisions of the commission have practically the same result in many cases as a court decision.

During this past year the Federal Trade Commission ruled against a candy manufacturer at the instigation of an ice cream manufacturer who complained that the representation of an "ice cream filled cone" and the words "Ice Cream Candy" were unfair competition in that purchasers would buy this candy bar in the expectation that it was chocolate-coated ice cream.

You probably appreciate the importance of this subject when you read that in a recent decision a small chewing gum manufacturer was awarded \$2,860,000 plus interest, \$3,718,000 in all, from a large manufacturer on the strength of profits made on alleged imitation of the small maker's wrappers and labels. It was

simply a case where one maker put out goods which resembled closely in appearance those previously put on the market by another. The small maker might not have made this much profit in his own business and furthermore he was doing business only in part of the territory out of which the above profits were made, but this did not affect the amount. The case has been appealed, but it is a lesson to all of us alike to watch our step and name and dress our products so they will be individual and not easily confused with a competitive product.

It occurs to me that a sure way to make money in the candy business is to originate a label and use it and after a while leave it on the door step of some large money making manufacturer and trust to luck that he'll imitate it. Then you only need to sue him and collect the damages.

Mr. Hughes' office can say in a few days whether a name is registered and it generally does not take more than a month to find out whether an unregistered mark is in use by a candy or chocolate manufacturer. That ought to be the first step in putting out a new item. The next safety-first precaution is to tell your designer to avoid designs used on competitive pieces and to use his own head.

By taking these precautions, we are not only playing square with our fellow business men and encouraging similar treatment on their part, but are insuring distinction and easy recognition of our own merchandise and that is the way to larger sales and more consistent profits.

## Roundtable Discussion

*In Charge of Quiz Master Hames*

**CHAIRMAN HAMES:** Now men, this Question Box is an idea of our President. He contends that the members of the Midland Club that came from far and near, while they always appreciate the topics of the speakers, go back home with troubles on their mind that they really intended to thrash out at these meetings, but due to their inability to get up and fluently express themselves, rather than be criticized on the floor, they go home without as much as having their special problems discussed. He left a thought in your mind this morning—before we start, as Quiz-Master—that I must take exception to. He

told you any questions you may want to ask may be answered by the Quiz-Master. If that were true, I think I'd have my hands full.

The fact of the matter is that any of you who have any questions to ask, you are privileged to ask the Chair, and the Chair in turn will call on some of our older members who are more experienced in the candy industry, to help them out.

Now, the first question, to start this thing off, is an old subject, but we no doubt can get a lot of kick out of it yet in rehashing it again.

### What is the plan of using price cards, and why do our members not use more of them?

*Has any one made a personal check of the usage made of price cards? That is a question to the Quiz-Master that the Quiz-Master is not answering himself. We personally have used price cards for some time and claim we have got a lot of good out of them. Now the Chair is open for discussion on that first subject. What is your pleasure, gentlemen?*

Mr. Blunt, you did not attend the meeting last year, but Mr. Peckham made a very interesting talk on price cards. Possibly we could ask Mr. Peckham to say a few words again, then probably you could add to whatever he said.

Mr. George Peckham: I think most of you who were present at our meeting heard me last year and heard the thoughts which I had to express on the subject of the use of these price cards—

I really don't know that there is anything that I can add at this time to what I said then.

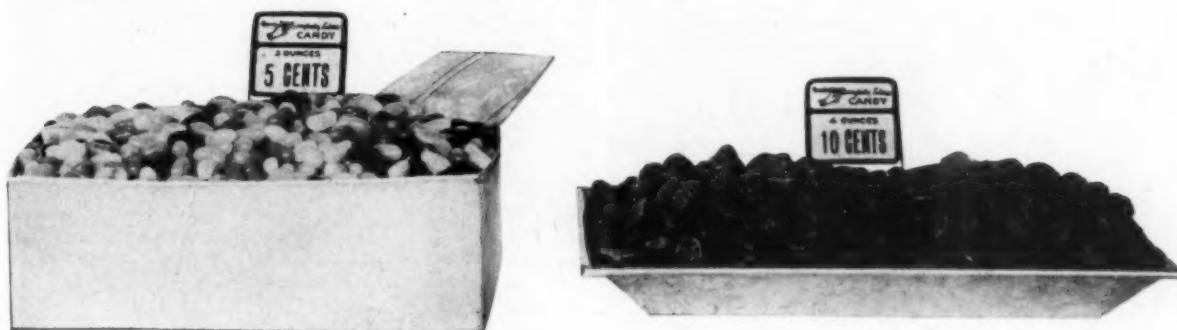
I will say this, that we have not used these price cards ourselves as extensively as we had originally intended. This has not, however, been because our use of price cards was not satisfactory. It has been rather due to neglect on my part of a very important matter, which, as a matter of fact, I should not have neglected, and the neglect of which has probably cost some money.

I will be as brief as I can and give you a few thoughts that I have in mind in connection with the use of price cards.

In the first place, the average retailer, when he buys a pall or a box of bulk candy at a certain price per pound has two chances of getting rid of that

candy, either at so much per pound or so many for a cent, and in the majority of instances I think bulk candies are sold by the pound rather than by the count, now.

The most intelligent and the best retailers, as a general proposition, are these big syndicate stores, chain stores of one kind or another. They have made a tremendous success of their business, and with very few exceptions everything they sell in the way of candy is sold per pound. A good many people think the reason they sell so much candy is because they buy it cheap and sell it cheap. That is not always the case. As a matter of fact, if you will go by any five and ten cent store or any big chain store you will find a great many of the best selling items they have in the candy lines are being sold by them at prices which can be met by



The Midland Club Unit Purchase Price Cards which combine the National Slogan "Remember, Everybody Likes Candy" and the retail sales unit price of 5 and 10 cents—various weights indicate values given.

almost any retailer; if not actually met by any retailer, at least, the small retailer can come so close to it that it doesn't make much difference.

Here is the point that they have recognized, and which our customers, the smaller retailers, apparently, in many instances, have overlooked. That is this: The fact that the average purchaser of bulk candies does not buy a pound at a time. His purchases are made in unit sales of five or ten cents. He doesn't want to go into a store and say, "How much is this candy," and receive the answer "fifty, sixty or seventy cents a pound," whatever the price may be. He wants to buy a nickel's worth. He doesn't like to admit it. He has just a little embarrassment in asking for it. If he walks by the store and sees in the window a sign on the candy, a neat little printed sign, such as our organization has gotten up, saying "two ounces for five cents," or "three ounces for ten cents," as the case may be, he then knows what he can get for his nickel or his dime, or what he wants to spend. He walks up to the clerk and says, "Give me a nickel's worth of this candy," or "Give me a dime's worth of that candy." He is not put to the embarrassment of having to ask two or three questions in order to effect his purchase.

In other words, the use of these price cards by the retailers, if they are used properly, and if the retailers give proper instructions in their use, will undoubtedly result in a very large increase in the sale of bulk candies. I am sure that everybody is anxious to see that end effected. I don't think there is any doubt of it.

Now, how are we going to get this idea over to the retailer? We can put these price cards in our packages of goods. Yes, the retailer opens it up and throws the card away. I dare say fifty per cent of them will do it. If they don't do it, the cards will become lost, because the retailer doesn't recognize the value of that card to him personally.

I have taken some of these cards and given them to some of our salesmen, with instructions that they take those cards around and give them to their customers, without any cost to the customer, and tell him the purpose of the card, tell him the advantage in the use of the card. I have followed that up to the extent that I have asked questions of our salesmen who have taken those cards out and distributed them, as to whether the cards were used not, whether the retailers were glad to

get them or not, whether they really resulted in any good.

My salesmen have told me they have resulted in a great deal of good. I have not taken full advantage of our opportunities along that line. I don't look after, to any great extent, the retail business in connection with the plant, with which I am associated. I have another man that does that. Only occasionally do I dip into that end of the business, but I have dipped into it to that extent that I have distributed some of the cards, to come of our men. I asked them what their experience has been as to distribution and use among retailers, and invariably the answer has been that the use of the cards has resulted very satisfactorily, and several of my men have come in and have asked for more of these cards in order that they might take them out and make a greater distribution of them.

It may be that some of the rest of you have tried that out. It may be you have tried other methods of distribution, but I say this to you, that your customers will appreciate any assistance that you personally can give them in the merchandising, not only of your products, but of other products of other manufacturers that they may have to sell, and anything that benefits one of us toward the increased consumption of our commodities is ultimately going to benefit all of us.

I think that is all I have to offer on it, Mr. Hames. Thank you. (Applause.)

Chairman Hames: Are there any other suggestions, gentlemen? Don't be too modest, now. Get up and express yourselves. Our President wants it known that if you don't go home with all the necessary information now it is up to you. Heretofore the officers may have been to blame—it was the officers' duty to see that every one went home enlightened. What have you to say, Mr. Blunt? Mr. Peckham made one remark about sending the price cards out. How do you send yours out?

Mr. Blunt: We have worked on the price card proposition for the last two or three years and have gotten very good results.

There are two good reasons for that. One is that there is a better opportunity to make a profit on bulk stuff than there is on bar goods, which usually are sold by price. If you can get the public to buy bulk stuff, either in pails or five pound boxes, on the same basis, that is, five or ten cent purchases, that they buy bars, I think you have more leeway to show a profit than you can by work-

ing so strong on bars. It will sort of offset the demand there is for five and ten cent bars, which, you all know, don't show very much profit.

In order to get the trade to use the cards we found out we'd have to find out from the trade what price they wanted to retail the bulk candy for. If we send out a price card that doesn't meet with the approval of the trade they are not going to use the card; they will throw it away. So we tried to ascertain the margin of profit that the retailer got on our bulk candies, and we made out a schedule, had it typewritten, and then gave it to the mailing clerk, to be sent out.

In order to get these cards into the hands of the proprietor of the store, where they might possibly be used, we had a little manila envelope printed, which read, "To the Proprietor," on the outside, and then a little statement below telling the proprietor that the contents of this envelope were for his benefit, and advantage and profit, if properly used. We went on to describe what the price cards were and how they were to be used. We also put the cards in the packages, and a great many times packages are opened by clerks who have no great interest in the business. They open a pail and find something in the top and give it a sling. They open a five pound box and find something and give it a sling. When the proprietor gets that he opens it himself, as a rule, and he gets the cards. If they appeal to him, as they usually do, he commences to use them, and on inquiring at our annual sales meeting of our salesmen, we were told a great many customers, in every territory we had used the cards, looked forward to the cards, and if we should discontinue the use of them right now they'd be missed.

I think we can't expect the trade to use those cards too quickly. When they first get them they look them over and don't exactly understand what they are for. As the salesmen come around they inquire about them, and the plan is explained and the proprietors begin to use the cards.

We have found out that by sending direct to the proprietor in the envelope along with the invoices, if the prices conform to his ideas of about what he should get for his candy, he will stick them up on the show cases and in the pans.

We have had very good success in our use of the cards. It has increased right along.

Chairman Hames: Let's hear from some more gentlemen. Mr. Newman,



Illustration, Courtesy of Home Drug Company, Chicago

Another way of applying the Unit Purchase Price Plan of Merchandising candy.

our Secretary, tells me that there are a number of Midland Club members that have not used these cards. Now, those that are here and have not used these cards, you need not feel backward about getting up and saying why you have not used them. Don't be afraid. Come on, let's go.

Mr. Chase: The objection of a great many men for not using the cards is that most of the customers sell candies assorted; that the purchasers don't buy a dime's worth of jelly beans or peanuts, and many times it conflicts, they don't know exactly how to use the price cards on assortments. I would be glad to know how other members handle that when they use the price cards.

Chairman Hames: Has any one had any experience along that line?

Mr. Peckham: How do they sell them without price cards, assorted?

Mr. Chase: They make a price in the case of forty cents a pound on all candy and handle it in the case, lump it in.

Mr. Peckham: Why don't they put on a price card, two ounces for a nickel?

Mr. Chase: All right—

Mr. Peckham: Possibly you don't understand the idea of the price card, the thought behind it in the minds of the Board of Directors of this organization, at the time the price card proposition first came up. The thought in the mind of all of them was this, that too many retailers are pricing their goods at forty and fifty cents a pound, thereby scaring away customers who want to buy five cents' worth. It doesn't make any difference, if a man has a dozen or forty pieces of goods in his show case, that he wants to sell individually or assorted, or any other way, at forty cents a pound, he can price the goods, two ounces for a nickel. He can put up one sign if he wants two ounces for a nickel. If he has different priced goods, some sold at 40, some at 60, some at 80, he can divide his show case into sections, and have one section priced two ounces for a nickel, another section priced three ounces for a dime, another section two ounces for a dime, bringing him his desired price per pound that he wants to get, but at the same time keeping in mind the thought all the time in merchandising his product that he is offering goods to his customers in quantities in which most of the customers want to purchase. That is the idea of the unit price card. I am here to tell you if the thing is worked out as

it could be worked out there is no question in my mind but what it would result in practically doubling the consumption of bulk candies. I don't think there is any doubt about it at all.

Chairman Hames: Any more suggestions? This is a very interesting subject. We don't like to pass it along until we are through with it.

Mr. Walz: A minute ago you said that Mr. Newman complained that several of the members of the Midland Club had not been using these price cards. We are one of them, and I will tell you the reason why. The Midland Club, in going into the printing business, has been making direct competition for the home printing establishment, and all being equal in the matter of costs and expense, we, of course, give our home printing establishment the preference in placing our order.

Now that is the reason why we have not bought our cards from the Midland Club. We have been printing them ourselves and we have been using them in very, very large quantities.

I believe that one of the reasons why the cards have not been more successful, as they should have been, is the fact that there are a great many dealers throughout the country yet that don't realize the immense change that has taken place in the candy business for the last ten years, or, say, fifteen years. Ten or fifteen years ago candy was more or less in the nature of a luxury, something that was bought as a gift for the women or children. Today everybody eats candy and men are as big candy eaters as women or children. Ten years ago a man would have felt kind of embarrassed to have been seen sitting in his office eating a chocolate bar or nibbling on some chocolate-coated peanuts. Today that is entirely changed.

Now, when you realize the fact that there are very few people that eat candy that go out deliberately shopping for candy, you will recognize the importance of bringing home to the consumer the fact that he can buy a nickel's worth or a dime's worth of this candy. We have got to get out of the dealer's mind the idea of selling his stuff by the pound, 60c, 70c, 80c a pound. He can do so, but he has got to put his signs, "Trial bags, 5c, 10c, 25c," whatever it is.

Statistics show that 75% or 80% of the candy bought today is bought in denominations of 25c or under, and it is everybody who buys candy today. They buy candy for themselves and not as a gift proposition. They don't want a pound of chocolate caramels, rather a

nickel's worth or a dime's worth, which is enough to satisfy the candy hunger that they may be feeling at this particular time.

Mr. Peckham was referring a little while ago to syndicate stores and five and ten cent stores. I had a very good illustration bearing out exactly what Mr. Peckham said a little while ago. I walked into one of the stores and spoke to the manager. He did not know I was in the candy business. We got to talking about different lines, he was handling, and finally landed on candy. I asked him if he was selling a lot of candy. He said that he was, that it was astonishing the amount of candy sold. I asked him what he attributed his demand to. He said, "Well, it is like this: you know the rich get richer and the poor get children, and in our establishment here we have a lot of poor people coming in, wives of working men, of the middle classes, usually with three or four kids tagging at their skirts. What we do is this: you will observe that most of our 5c and 10c stores have two entrances, one at either side. A woman comes in at one entrance with a couple of children with her. To keep them quiet so she can go through the aisles and make her little purchases she buys them each a nickel bag of candy. By the time she gets through and is ready to leave the kids are through with their candy. That is where we catch her again." (Laughter.)

Now I felt that that man taught me quite a lesson. I believe that the syndicate stores and five and ten cent stores are about the best merchandisers there are, and if they find this five and ten cent proposition profitable, I am sure the other dealers would find it the same way. (Applause.)

Chairman Hames: Mr. Walz, do you use price cards of your own?

Mr. Walz: Yes, we print them anywhere from 5c up to \$1.75 a box, by which I mean, 5c, 10c, 25c cards for bulk goods and the higher denominations for packages.

Chairman Hames: You distribute them the same way?

Mr. Walz: We distribute them any way we can get them out to the trade. We include them with the invoices, give them to the salesmen by the hundreds, to distribute. We write the dealer about it, write the salesmen at least once a month on that subject. I think the most good can be done by proper education on the part of your salesmen.

**Do jobbers prefer standard count penny goods, such as 120's, 240's, 360's, 480's, etc., or odd packs, such as 130's, 150's, 300's, 250's, etc., and do the manufacturers who pack standard count merit the support of the jobbers?**

Now, what this man evidently is trying to get at is this: that there are manufacturers, and it is their privilege, of course, to pack their goods any way they wish, but are manufacturers to be encouraged or supported that come out with an odd packed piece of goods? Their plan being to present it to the retailer that they can make an extra 10c a box or 5c a box, whatever the case may be. Let us have some discussion on that.

Mr. Caldwell: I think that is a point of considerable interest, to me, certainly, and I would imagine to every manufacturer. From the standpoint of a manufacturer selling to the jobbing trade and not to the retail trade, I should certainly hate to see odd size packs be fostered, such as they were during the war. Then we did not have any standard packs. We had 100's, 110's, 120's, 130's, 150's, almost any pack, and I know from my contact with the jobbing trade that everybody was squawking for a standard pack. It would seem to me that it would be very much simpler, from the standpoint of the jobber, if he did have everything standard. I know it would be simpler from our standpoint, and I should very much dislike to see the necessity, on our part, to rearrange our packages. It would not alone be very complicated for us, but very expensive, and from the standpoint of a manufacturer selling the jobbing trade, I should certainly like to see stuff packed in standard pack, whatever that might be, as adopted by the trade in general.

Mr. Williamson: Is not this question trying to bring out the fact that this gentleman, whoever he may be, intimates that some one has been cheating a little and offering 125 pieces in lieu of 120?

Mr. Hames: I anticipate that this is the trouble, that some one is coming out and cheating a little on the pack of his goods and the price remains the same.

Mr. Williamson: It is just a means of price cutting. I don't think that matter can be settled in this meeting.

Chairman Hames: The only thing would be, which would revert right back to the personal matters again, if the

jobbers of odd packed penny goods would encourage buying from those people or would buy from those people to encourage them along to pack that way.

Mr. Williamson: I think some jobbers who are buying penny goods to sell to the trade would, if they could buy a package of 125 pieces instead of 120, for about the same price, that they could offer as an inducement to the dealer to buy it in place of 120 goods, they would probably buy it. I don't think anything we could do would stop it.

Chairman Hames: From my own standpoint I don't think I'd be encouraged to buy those goods, from a price list standpoint alone. You commence buying 125 packed penny goods at an advanced price and the first thing you know your salesmen have about 30 lists on penny goods. What do you retailers think about that?

Mr. West: I speak both from the standpoint of the manufacturer selling the retail trade as well as the jobber, and when this matter was broached I instantly thought of the idea that water seeks its own level. During the war we had many different counts and competition has compelled practically all of the manufacturers going to the jobbing trade to pack 120's, and the reason that the change was made from 100 to 120 was on account of the high cost of packing. We find that it is cheaper to pack 120 count than it is 100 count. The demand generally is for 120 count. We all more or less go out for business along the lines of least resistance. We find we can sell 120 count just as easy as we can sell 100, and it is much easier to sell 120 count than it is 150 or 130. Your salesman has to do less explaining and everything is much better in every way from the salesman's standpoint. As to selling 25 count at a list of 120, that is a matter of simply cutting the price, and I believe that the fellow that puts out 125 count at a price of 120 won't be able to stand the drain very long and will soon have to advance his price commensurate with the cost, and he will eventually get on the same level as the other fellow. This matter of working against the stream will tend to put him at a disadvantage

and he will come around. I think it is simply a matter of the law of averages working out.

Mr. Wilson: The thing that interests me in connection with that, placed as we are in selling the jobbing trade exclusively, when you asked that question you brought up something in my mind, and I would like to give you a suggestion—I thought it might have settled the point more quickly if you asked those who buy penny goods if they were having any penny goods other than 120 and possibly 100's offered them, and after you got your answer to that, I would wonder the reason for the question, because if anything but 100's and 120's are being generally offered now it is news to us, and I suspect that it would be news to most manufacturers. I have heard of nothing other than 100's and almost exclusively 120's, and I think Mr. West put his finger on the real reason for that. The idea of the 120's no doubt came about from the fact that today your weight on a box of 120 penny goods is no greater than formerly was on 100 pack. Your case will hold today more boxes of 120's than it formerly held of 100's, because of the weight, and naturally from the economic standpoint they have gone to 120's. Our condition during the war was brought about by a quick adjustment to take care of yourself according to the sizes you had and weights you could afford to buy. That is now ironed out and it seems to me it is all settled on the basis of 120 today and I would be interested to know if there is any other count being offered.

Mr. Paris: We buy quite a number of penny goods outside and try always to buy standard counts. In billing out penny goods to the average retail merchant he does not check up his bill until the bill is due, as a rule, which in the majority of cases is 30 days. By that time he doesn't know what he got or how it was packed. If he sees an item of 100 at 75c he thinks he ought to get the 120 and deducts the difference on the bill. That is why the uniform pack of 120 seems to me to be the ideal for all manufacturers selling to the jobbing trade.





## WHAT'S NEW?

Brock Candy Company, Chattanooga, Tenn., elected the following officers for the coming year: W. E. Brock, President; M. L. Brock, Vice-President; R. G. Brock, Vice-President; W. J. Kayler, Treasurer; A. K. Jordan, Secretary. Mr. Jordan has been placed in charge of purchasing department and M. L. Brock in charge of production; R. G. Brock in charge of the sales department.

Charles I. Bird and Frank D. Close, of Boston, representing a large number of confectionery manufacturers, have asked the Legislative Committee on Legal Affairs to report favorably on a bill offered by Mr. Bird which would prevent candy manufacturers from putting on the market schemes for prizes to the "lucky" purchasers of candy. They pointed out that it is possible to prosecute retail candy dealers but they want the law to stop the manufacture of such devices and thus wipe out the entire scheme.

The Yeager Candy Company has opened a factory at 702 Madison Avenue, Indianapolis, Indiana.

Life Savers, Inc., is the new name of the Mint Products Company, manufacturers of Life Savers, "the candy mint with the hole," Port Chester, New York.

The change of the company name took place on January 1st, the purpose being to tie up the name of the company with its well-known product. This change was made at the suggestion of many jobbers and retailers, and is in line with similar changes in recent years—such as that made by Rueckheim Brothers & Eckstein to The Crackerjack Company. The change has been heartily approved by the trade in general. There has been, however, no reorganization or change of ownership or management.

Last year was, by far, the best year from the point of gross sales, in the ten-year history of the company, sales in 1923 having been 30 per cent ahead of the preceding year.

Sunblest Confections, Inc., is the name of a new company incorporated for the manufacture of confectionery. The incorporators are: D. B. Erminger, L. Reynolds, C. H. McNeid. They are located at 213 N. Michigan Ave., Chicago.

John H. Holman was elected president of the Bonita Candy Company, Fond du Lac, Wisconsin, at its annual meeting. J. A. Holman is the new vice-president and E. B. Hutchins, secretary-treasurer and general manager.

Nayr Candy Company opens a new factory in Syracuse, New York. They are manufacturing Coughlin's Cough Drops and are also putting on the market a fine grade of chocolate candies.

The John D. Hamilton Company is the name of a new concern in Tacoma. They are devoting their entire plant to the manufacture of bar goods, which they sell to jobbers exclusively.

The new home of Brandle & Smith, Philadelphia, is being erected and when completed will have 270,000 square feet of floor space.

A branch plant of the Planter's Nut & Chocolate Company will be established in Portsmouth, Virginia. The plant will begin operations with about 100 employees but will eventually employ between 500 and 1,000 workers.

Edgar G. Savage, Purchasing Agent for Schrafft & Sons Corp., Boston, has been named as chairman of the Finance Committee for the Convention of the National Association of Purchasing Agents which meets in Boston, May 19, 1924.

Luther E. Gruber, formerly purchasing agent for Crane Chocolate Company, Cleveland, is now associated with Habicht & Company, taking charge of their Boston office. Mr. Gruber was at one time connected with Habicht & Company in their New York office and later associated with the Boston Confectionery Company.

The certificate of incorporation has been filed for the Frederick W. Lipps Company, Baltimore. The new corporation will continue the manufacture of candy. Frederick Wiessner Lipps, Amelia Krause and Christopher R. Wattenscheidt are the incorporators.

The Circus Sally Company, Chicago, have moved into new quarters at 341 West Superior Street. This company manufactures the popular line of Sally Circus Prize Packages.

W. L. Caswell, a leading confectioner from the State of Maine, has established a new candy industry in Oakland, California. He has opened a factory for the manufacture of "Kremmo," a base which he sells to candy dealers.

The Colonial Chocolate Company, Inc., manufacturing candies in Long Beach, California, elected the following officers at its annual meeting: W. R. Proctor, President; Dr. R. G. Henderson, Vice-President; R. R. Ruff, Secretary and General Manager.

Showley Brothers, candy manufacturers in San Diego, California, whose plant was destroyed by fire recently, have taken temporary quarters at Seventh and J Streets, until their new modern candy factory is erected.



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